35

STANDING COMMITTEE ON INFORMATION TECHNOLOGY (2016-17)

SIXTEENTH LOK SABHA

MINISTRY OF COMMUNICATIONS (DEPARTMENT OF TELECOMMUNICATIONS)

DEMANDS FOR GRANTS (2017-18)

THIRTY-FIFTH REPORT

LOK SABHA SECRETARIAT
NEW DELHI

March, 2017/ Phalguna, 1938 (Saka)

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Presented to Lok Sabha on 17.03.2017

Laid in Rajya Sabha on 17.03.2017

LOK SABHA SECRETARIAT

NEW DELHI

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COMPOSITION OF THE STANDING COMMITTEE ON INFORMATION TECHNOLOGY (2016-17)

Shri Anurag Singh Thakur - Chairperson

Lok Sabha

2. Shri L. K. Advani
3. Shri Prasun Banerjee
*4. Shri Harish Dwivedi
5. Dr. Sunil Gaikwad
6. Shri Hemant Tukaram Godse
7. Dr. Anupam Hazra
8. Dr. Jayakumar Jayavardhan
9. Shri P. Karunakaran
10. Shri Virendra Kashyap
11. Shri Harinder Singh Khalsa
12. Shrimati Hema Malini
13. Shri Keshav Prasad Maurya
14. Dr. K.C. Patel
15. Shri Raosaheb Danve Patil
16. Shri Paresh Rawal
17. Dr. (Shrimati) Bharati Shiyal
18. Shri Abhishek Singh
19. Shri D.K. Suresh
20. Shri Ramdas Tadas
21. Shrimati R. Vanaroja

Rajya Sabha

22. Shrimati Jaya Bachchan
23. Shri P. Bhattacharya
24. Shri Suresh Gopi
25. Shri Prabhat Jha
26. Shri Santiuse Kujur
27. Shri Derek O'Brien
28. Shrimati Kahkashan Perween
29. Dr. K.V.P. Ramachandra Rao
30. Dr. Vinay P. Sahasrabuddhe
31. Shri Sachin Ramesh Tendulkar

Secretariat

1.	Shri R.S. Kambo	-	Additional Secretary
2.	Dr. Preeti Srivastava	-	Joint Secretary
3.	Shri Y.M. Kandpal	-	Director
4.	Shri Shangreiso Zimik	-	Under Secretary

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* Nominated to the Committee w.e.f. 19.10.2016 *vide* Bulletin Part-II dated 19.10.2016.

Abbreviations

BE	:	Budget Estimate
RE	:	Revised Estimate
CMS	:	Centralized Monitoring System
C-DoT	:	Centre for Development of Telematics
DoT	:	Department of Telecommunications
RFD	:	Result Frame Document
PSU	:	Public Sector Undertaking
NER	:	North-Eastern Region
TRAI	:	Telecom Regulatory Authority of India
PE	:	Proposed Estimate
ICRIER	:	Indian Council for Research on International Economic Relations
QoQ	:	Quarter on Quarter
YoY	:	Year on Year
Mbps	:	Megabits Per Second
BBNL	:	Bharat Broadband Network Ltd.
PGCIL	:	Power Grid Corporation of India Ltd.
UAL	:	Universal Access Levy
IEBR	:	Internal and Extra Budgetary Resources
TSPs	:	Telecom Service Providers
TCIL	:	Telecommunications Consultants India Ltd.
PAC	:	Public Accounts Committee
CAF	:	Customer Acquisition Form
DPR	:	Detailed Project Report
CAPEX	:	Capital Expenditure
OPEX	:	Operational Expenditure
CCI	:	Cabinet Committee on Infrastructure
POs	:	Purchase Orders
EIA	:	Environment Impact Assessment
DWDM	:	Dense Wavelength Division Multiplexing
UNMS	:	Network Management System
RNSU	:	Radio Noise Survey Units
SAR	:	Specific Absorption Rate
TAC	:	Telecom Advisory Committee
VNOs	:	Virtual Network Operators
NGN	:	Next Generation Network
SSTL	:	Sistema Shyam Teleservices Ltd.
EMF	:	Electromagnetic Field
TTSL	:	Tata Teleservices Ltd.
TTML	:	Tata Teleservices (Maharashtra) Ltd.
GSM	:	Global System for Mobile Communication
CDMA	:	Code Division Multiple Access
CPE	:	Customer Premises Equipment
TERM	:	Telecom, Enforcement, Resource and Monitoring

GoI	:	Government of India
BWA	:	Broadband Wireless Access
TEC	:	Telecommunication Engineering Centre
HDPE	:	High Density Polyethylene
VHF	:	Very High Frequency
UHF	:	Ultra High Frequency
VSSC	:	Vikram Sarabhai Space Centre
ASCON:		Army Static Switched Communication Network
VRS	:	Voluntary Retirement Scheme
MAT	:	Minimum Alternative Tax
BTS	:	Base Transceiver Station

INTRODUCTION

I, the Chairperson, Standing Committee on Information Technology (2016-17), having been authorized by the Committee to submit the Report on their behalf, present this Thirty-fifth Report on Demands for Grants (2017-18) of the Ministry of Communications (Department of Telecommunications).

2. The Standing Committee on Information Technology (2016-17) was constituted on 1st September, 2016. One of the functions of the Standing Committee, as laid down in Rule 331E of the Rules of Procedure and Conduct of Business in Lok Sabha, is to consider the Demands for Grants of the Ministry/Department concerned and to make a Report on the same to the House.

3. The Committee considered the Demands for Grants pertaining to the Ministry of Communications (Department of Telecommunications) for the year 2017-18 which were laid on the Table of the House on 8th February, 2017. The Committee took evidence of the representatives of the Ministry of Communications (Department of Telecommunications) on 23rd February, 2017.

4. The Report was considered and adopted by the Committee at their sitting held on 15th March, 2017.

5. The Committee wish to express their thanks to the officers of the Ministry of Communications (Department of Telecommunications) for appearing before the Committee and furnishing the information that the Committee desired in connection with the examination of the Demands for Grants.

6. The Committee would also like to place on record their appreciation of the assistance rendered to them by the officials of the Lok Sabha Secretariat attached to the Committee.

7. For facility of reference and convenience, Observations/Recommendations of the Committee have been printed in bold letters in Part-II of the Report.

ANURAG SINGH THAKUR
Chairperson
Standing Committee on
Information Technology

New Delhi
15 March, 2017
24 Phalguna, 1938 (Saka)

Report

Part-I

I. Introductory

Communication has grown as essential infrastructure for socio-economic development in an increasingly knowledge intensive world. The reach of telecom services to all parts of the country has become integral part to innovative and technologically driven society. Studies have shown a positive correlation between Internet and Mobile Services on growth of GDP of a country. As a result of sustainable measures taken by the Government over the years, the Indian Telecom Sector has grown exponentially and has become the second largest network in the world, next only to China.

II. Implementation status of recommendations of the Committee contained in the Twenty-fourth Report on Demands for Grants (2016-17) of the Ministry of Communications (Department of Telecommunications).

2. The Twenty-fourth Report of the Standing Committee on Information Technology on Demands for Grants (2016-17) of the Ministry of Communications (Department of Telecommunications) was presented to Parliament on 3rd May, 2016. The Department of Telecommunications furnished their Action Taken Notes on the observations/recommendations contained in the Twenty-fourth Report on 5th September, 2016. The Thirty-first Report on Action Taken by the Government on the Seventh Report was presented to Lok Sabha on 16th December, 2016. Out of 15 recommendations contained in the said report, 08 recommendations were accepted by the Government. The Committee had commented on 04 recommendations and replies to 03 recommendations had been found to be of interim nature on which final replies have been sought from the Ministry. The final Action Taken Statement on the recommendations contained in the Thirty-first Report will be laid in Parliament in due course.

III. Budget analysis

3. The Department of Telecommunications (DoT) presented Demand No. 14 for the Financial Year 2017-18 on 8th February, 2017. The Revenue and Capital Sections of the Budget are as under:-

(Rs. in crore)

Major Head	2015-16 Actual	2016-17 Budget Estimates	2016-17 Revised Estimates	2016-17 (Actual upto January, 2017)	2017-18 Budget Estimates
Revenue Section	21263.01	18355.96	28598.33	18708.55	35192.65
Capital Section	2321.81	2858.70	3345.54	2062.31	3386.00
Grant Total	23584.82	21214.66	31943.87	20770.86	38578.65

4. In the budget speech (2017-18) Hon'ble Finance Minister has given the reasons for adopting the new methodology of budget preparation as under:

> "We have done away with the plan and non–plan classification of expenditure. This will give us a holistic view of allocation for sectors and ministries. This would facilitate optimal allocation of resources".

5. When the Committee enquired about the improvements in budgetary method or accounting brought about by allocating funds under Revenue and Capital section instead of Plan and Non-Plan, the Department, in a written note have stated as under:

> **"**Allocation of funds under Revenue and Capital section instead of Plan and Non-Plan will definitely improve the budgetary method and proper utilization of funds. Till now proposals for re-appropriation of funds from Plan to Non Plan under Revenue and Capital segment were sent to MoF for approval. New procedure of allocating funds under Revenue and Capital section instead of Plan and Non-Plan now will facilitate the Department itself for re-appropriation of funds from Revenue to Revenue and Capital to Capital Sections. Moreover, under Plan segment, generally funds are not utilized fully due to certain reasons and savings were noticed. Revised policy of classification of

expenditure will certainly useful for Government accounting and funds will be utilized optimally".

(i) Revenue Section

6. During 2016-17, an amount of Rs.18355.96 crore was allocated at BE under Revenue Section which was increased to Rs.28598.33 crore at RE stage. The Department stated enhancement is due to increase in Universal Service Obligation Fund(USOF) from Rs. 2755 crore to Rs. 7625.79 crore (including Rs. 6000 crore specifically for BharatNet). Net RE increase in USOF is 4870.79 crore and Gross increase Rs. 9741.58 crore in RE. For OFC Based Network for Defense Service, in Ist Supplementary, additional Rs. 500 crore was provided (increased to Rs. 3210 crore from Rs. 2710 crore). For C DOT allocation was enhanced by Rs. 95 crore i.e. from Rs. 220 crore to Rs.315 crore.

7. During 2017-18, an amount of Rs.35192.65 crore has been allocated at BE under Revenue Section which is Rs.16836.72 crore more than the BE allocation in 2016-17. The reasons for the massive increase in the allocation made at BE stage are due to increase in pension consequent upon the implementation of VIIth Pay Commission and increase in DA. Under USOF –Funds raised to Rs. 11636.18 crore in BE 2017-18 (Rs. 10000 crore has been allotted specifically for Bharat Net) from Rs. 2755 crore in BE 2016-17. Net increase in BE 2017-18 is Rs. 8881.18 crore against BE 2016-17 and Gross increase is Rs. 17762.36 cr. C DoT- BE 2016-17 was Rs. 220 crore which is increased to Rs. 270 crore during 2017-18.

(ii) Capital Section

8. During 2016-17, an amount of Rs.2858.70 crore has been allocated at BE under Capital Section which was increased to Rs.3345.54 crore at RE stage. The Department have informed the Committee that the reason for this increase is due to additional allotment of Rs. 500 crore under OFC based Network for Defence Services. The NFS project is of National importance and requires completion on priority. The Scheme-wise

details of financial and physical achievement made so far under Capital during 2016-17 are as under:-

	Capital Outlay on NE Area	BE + I, IInd Supp.	Expenditure up to 31.01.17	Physical Output
1	OFC Based network on DS	3210.00	2038.55	Optical Network Status as on 31st, Jan 2017 • Total Route Km Planned: 57,015 Km • Execution completed: 43,941 Km • Duct laying completed: 43,672 Km • Fibre Blowing completed: 34,662 Km A/T Status of OFC • Civil A/T completed: 24793 Km. • Optical A/T completed: 25138 Km • Commissioned (certificate issued): 22762 Km
2	WMO	13.50	2.76	
3	**WPC**	0.20	0.00	
4	**ITI Revival (Equity Investment)**	80.00	80.00	
5	**Telecom Engineering Centre**	10.00	0.13	
6	**Training Institure for Communication Finance**	17.00	2.99	a) The construction work of newly trainees hostel building have been completed and is operational. b) The required clearances from local bodies have been obtained. c) MoU with CPWD has been signed for the construction of the Project. As per MoU Rs. 5.00 crores have been deposited with CPWD as token deposit. d) CPWD is preparing estimate for floating the tender. The tender is likely to be floated in the month of March, 2017. e) CE, CPWD and CA, BSNL have been requested to post their suitable officers in the Campus for speeding up the Construction Work.
7	**Microwave Link Between Champhai and Zokhawthar**	1.00	0.00	The project is expected to be completed by June 2017
8	DoT Building	15.00	10.00	
9	**Establishment of Satellite Gateway Assistance to BSNL**	9.00	0.00	The installation of the Satellite Gateway has been completed and BSNL is carrying out testing of the Satellite Gateway.
10	North East Projects executed by BSNL with Govt. Support	3.00	0.00	Project has been completed.
	Total Capital Section	3358.70	2134.43	

9. When the Committee enquired about the reasons for the increase in the allocation made during 2017-18, the Department have provided the reasons as under:

Name of Scheme	BE 2016-17	BE 2017-18	Additional funds allotted
OFC	2710.00	3000.00	290.00
ITI	80.00	200.00	120.00
DoT Projects	68.70	186.00	117.30
Total	2858.70	3386.00	527.30

(iii) Utilization of funds under Plan Schemes during 2015-16, 2016-17 and allocation during 2017-18

10. The Scheme-wise details of financial and physical achievement made during 2015-16 and 2016-17 are provided by the Department as under:-

(Rs. in crore)

Sl. No.	Name of Schemes/Programmes	Actual Exp. 2015-16	Proposed by DoT 2016-17	2016-17 BE	2016-17 RE	Actual Exp. (up to 31.01.2017)	Variation	Reasons for variations
1	Compensation to Service Providers for creation and augmentation of Telecom Infrastructure - USOF	3100.00	7350.00	2755.00	7625.79	4849.00	-2776.79	No shortfall is identified anywhere w.r.t BE 2016-17. Additional funds to the tune of Rs. 3000 crore have been received in Ist and IInd batch of supplementary Grants. Against Rs. 5755 cr., Rs. 4849 cr. has been spent till January, 17and remaining will be utilized by year end.
2	Defence Spectrum - Optical Fibre Cable Based Network for Defence Services	2220.00	8230.00	3210.00	3210.00	2038.55	-1171.45	No shortfall w.r.t BE 2016-17. Additional funds to the tune of Rs. 500 crore have been received in Ist batch of supplementary Grants. Against Rs. 3210 cr., Rs.2038.55 cr. Adjustment of raised bills of works done are in process.
3	C-DoT (Centre for Development of Telematics)	300.00	370.00	220.00	315.00	220.00	-95.00	Additional funds of Rs. 95 crore have been providedin RE 2017. However, it is expected that funds will be fully utilized by the

								end of current Financial Year.
4	Wireless Planning & Coordination/Monitoring Services							
5	(a) Wireless Planning & Coordination (WPC)	0.02	2.00	0.70	0.70	0.06	-0.64	
6	(b) Monitoring Services (WMO)	3.93	77.00	15.00	10.81	3.75	-7.06	
7	Telecom Engineering Centre (TEC)	0.01	58.49	10.00	4.24	0.13	-4.11	
8	Human Resource Management - National Institute of Comunation Finance (NICF)	10.89	111.28	27.00	21.75	5.15	-16.60	
9	Technology Development & Investment Promotion (TDIP)	0.96	4.00	2.20	2.20	1.05	-1.15	
10	Establishment of Satellite Gateway Assistance to BSNL	40.00	9.00	9.00	9.00	0.00	-9.00	
12	Construction of DOT Hqrs. New Building	0.50	50.00	15.00	10.00	10.00	0.00	
13	Directorate Professional Services	4.95	0.00	0.00	0.00	0.00	0.00	
16	Subvention to PSUs for Infra Projects of Govt. - Financial Support to MTNL for FTTH in MP Houses	37.00	0.00	0.00	0.00	0.00	0.00	It is expected that funds will be fully utilized by the end of current Financial Year.
17	Microwave link between Champhai and Zokhawthar	2.00	1.00	1.00	1.00	0.00	-1.00	
18	NE Projects executed by the BSNL with the Govt. Support	9.58	3.00	3.00	0.00	0.00	0.00	
19	Soft Loan to TCIL	26.00	0.00	0.00	0.00	0.00	0.00	
20	Infusion Equity in TCIL	16.00	0.00	0.00	0.00	0.00	0.00	
21	Telecom Testing & Security Certificate Centre (TTSC)	0.00	0.00	0.00	9.00	0.00	-9.00	
22	Telecom Computer Emergency Response Team (T-Cert)	0.00	0.00	0.00	0.50	0.00	-0.50	
23	Central Equipment Identity Register (CEIR)Promotion	0.00	0.00	0.00	0.50	0.00	-0.50	
26	Viability Gap Fund to BSNL for providing telecom connectivity during Shri Amarnathji Yatra (New Scheme)	0.00	0.00	0.00	1.00	0.00	-1.00	
28	TRAI	15.00	525.00	16.00	10.00	7.25	-2.75	
29	TDSAT	0.40	1.55	1.10	1.00	0.15	-0.85	
30	ITI Revival (Equity Investment)	0.00	1422.00	80.00	80.00	80.00	0.00	
	Total GBS (B)	**5787.24**	**18214.32**	**6365.00**	**11312.49**	**7215.09**	-4097.40	

11. The Department have provided the details of Plan scheme expenditure during 2016-17 and allocation for 2017-18 as under:

Scheme/Unit	**2016-17 BE**	**2016-17 RE**	**Expenditure Upto 15.02.2017**	**2017-18 Proposals**	**2017-18 BE**
USOF (including BharatNet)	2755.00	7625.79	4850.45	13938.00	11636.18
Network for Spectrum (Defence Services)	2710.00	3210.00	3210.00	10300.00	3000.00
C-DOT	220.00	315.00	220.00	370.00	270.00
ITI	80.00	80.00	80.00	800.00	200.00
NICF	27.00	21.75	5.08	49.68	50.00
DOT Building	15.00	10.00	10.00	40.00	40.00
WMO	15.00	10.81	3.60	138.00	30.00
TEC	15.00	4.24	0.13	17.95	15.00
Other DoT Project	28.00	34.90	9.27	173.82	109.94
Total	5865.00	11312.49	8388.53	25827.45	15351.12

12. With regard to shortfall in allocation of funds for plan schemes, Secretary, Department of Telecommunications, during the sitting of the Committee have stated as under:

> "In the allocation of funds this year, there have been shortfalls compared to our request in four or five important areas. The network for spectrum which is a project we are doing for Defence Forces, we had asked for Rs. 10,300 crore and we got Rs. 3000 crore. We expect that the rate of progress will be such that we will have to come back for the revised estimates through supplementary. Similarly for North East, we have got no funds. Also for Left Wing extremist areas, we have got only the operating cost, while the Ministry of Home Affairs is wanting an additional 2000 towers to be set up because of expanding the communication there. ITI we are doing a rehabilitation package which has not been funded because there was some slowness in the expenditure last year. For submarine cable to Andaman and Nicobar Islands, which is again a project sanctioned by the Cabinet, the allocations are less. For these five areas, the network for spectrum, North East Region projects, Left

Wing extremist area projects, submarine cable to Andaman and Nicobar Islands and ITI, we will have to look for further allocations if we are able to progress; at this rate we expect to progress".

IV. Sector/Scheme wise Budgetary Analysis

(i) Universal Service Obligation Fund

13. The Committee specifically asked the Department to provide total USOF collected and utilized and the reasons for maintaining such a huge balance when there is massive requirement of funds for implementation of schemes under USOF, the Department in a written note have submitted as under:

"The Universal Service Obligation Fund (USOF) was created with effect from 01-04-2002 by an amendment to the Indian Telegraph Act, 1885, in December 2003 to provide access to basic [the word 'basic' deleted vide The Indian Telegraph (Amendment) Act, 2006] telegraph services to people in the rural and remote areas at affordable and reasonable prices. The Rules for administration of the Fund have also been notified on 26.3.2004. Subsequently, in 2006 the USOF Rules were amended to enlarge the scope of activities that can be carried out under the USO Fund to include provision of Mobile Infrastructure Services, Broadband Services, General Infrastructure such as Optical Fibre Cable for rural and remote areas and Pilot projects for induction of new technological developments in the rural telecom sector.

Clause 9B of the Indian Telegraph (Amendment) Act, 2003 lays down that "The sums of money received towards the Universal Obligation under Section 4 shall first be credited to the Consolidated Fund of India, and the Central Government may, if Parliament by appropriation made by law in this behalf so provides, credit such proceeds to the Fund from time to time for being utilized exclusively for meeting the Universal Service Obligation."

The resources for meeting the Universal Service Obligation (USO) are generated through a Universal Access Levy (UAL) which is a percentage of the revenue earned by the operators under various licenses. The Universal Service levy presently is 5% of the Adjusted Gross Revenue earned by all the operators.

During the financial years 2002-03 to 2016-17, Universal Service Levy (USL) amounting to Rs. 82781.02 Crore has been collected. The final allotment of Rs. 34933.92 Crore, received through Parliamentary approvals was transferred to Head 8235 General & Reserve Fund-118 USO Fund in the respective years and the entire allocation so made and transferred to USO Fund, was optimally

utilized in the respective years. The balance of UAL amount available as potential fund under USO is Rs. 47,847.10 Crore till date.

Ministry of Finance had allocated Rs. 6948.64 Crore towards reimbursement of licence fees and spectrum charges to BSNL for the period 2002-03 to 2005-06 for fulfilling rural obligation which has been taken into account for arriving at the available balance.

The issue of entire proceeds under UAL not being credited to Universal Service Obligation Fund (USOF) has been raised under paragraph 7 and 8 of 49th Report of PAC. The committee in its report has observed that "*proceeds from the USO Fund are made available for USO activities in general and for provision and expansion of rural telephony in particular, in accord with the provisions of the Indian Telegraph (Amendment) Act, 2003"* and directed to take up the matter with Ministry of Finance. Accordingly, matter was taken up with the Ministry of Finance communicating the concerns of Public Accounts Committee (PAC).The Ministry of Finance vide their letter no. F-2(35)-B (AC)/2009 dated 03rd May 2012 had submitted that the funds transferred to USOF are only available for USO activities and expansion of rural telephony in accordance with the provisions of the Indian Telegraph (Amendment) Act, 2003.

With regard to transfer of Universal Access Levy (UAL) to the USO Fund kept in the Public Account of India, comments of Finance Ministry are as under:

"(a) In terms of Indian Telegraph (Amendment) Act, 2003, Government may credit such proceeds to the Universal Service Obligation Fund from time to time for being utilized exclusively for meeting the Universal Service Obligation. Keeping this in view, funds are being provided in the Demands for Grants of Department of Telecommunications for transfer to USOF. Further, provisions for transfer to USOF are made based on the requirement and ability of the Department to spend in any financial year. This practice is being followed over the year. It may be noted that the unutilized funds kept in the Public account add to the liability of the Government. It may also be recalled that while approving the amendment to IT Act, 1885, Cabinet has directed the Department of Telecommunications to consult Ministry of Finance while finalizing the amount to be transferred to USOF.

(b) Department of telecommunications has, recently, obtained the approval of Cabinet for implementation of a new scheme called 'National Optical Fiber Network' (NOFN) for providing broadband connectivity to Panchayats with a financial outlay of Rs. 20100 crore over a period of 3(three) years by utilizing the USO Fund. Thus, the bulk of the accruals to USOF over the years would be utilized in financing and implementing NOFN.

Keeping the above points in view, Department of Telecommunication is requested to apprise PAC of the rationale in not keeping the entire accruals in the Public Account idly."

The issue of understatement of balances in USO fund has been clarified vide the Ministry of Finance letter no. F-2(35)-B (AC)/2009 dated 03rd May 2012 stated above. However, on suggestion of Audit Office, the Department of Telecommunications had again taken up the matter with Ministry of Finance. The Ministry of Finance vide their letter No. F-2(35)-B (AC)/2009 dated 28-01-2014 have intimated as below:

"Government has a commitment of Rs. 20,100.00 crore for implementation of 'National Optical Fiber Network' to be financed out of Universal Service Obligation Fund. As and when the scheme takes off, Government is bound to provide funds for this scheme through USO Fund. Cabinet Secretariat, vide its letter no. 20/CM/2003 dated 23-07-2003, directed that Department of Telecommunications may consult Ministry of Finance while finalizing the amount to be transferred to USO Fund. Even the Clause 9B of Indian Telegraph Act, 2003 which states "the sums of money received towards the Universal Service Obligation under Section 4 shall first be credited to the Consolidated Fund of India, and the Central Government may, if Parliament by appropriation made by law in this behalf so provides, credit such proceeds to the Fund from time to time for being utilized exclusively for meeting the Universal Service Obligation. Accordingly, the Central Government may credit such proceeds to the Fund from time to time for being utilized exclusively for meeting the Universal Service Obligations. It does not say all such proceeds will be credited to the Fund. Further, keeping money locked in Public account may not be the most prudent way to utilize resources. In view of this, the Ministry of Finance is not committing any violation of legal provision."

As the issue is being raised repeatedly in the Report of the Comptroller and Auditor General of India on Accounts of the Union Government for the year 2009-10, 2010-11, 2011-12, 2012-13, 2013-14 and 2014-15 and was also raised in the Forty-ninth Report (15th Lok Sabha) of the PAC and has not been settled yet, Ministry of Finance through Budget Branch of DoT has again been requested to consider the above i.e. full amount collected as UAL can be credited to the USO Fund vide this office letter dated 22.12.2015 and reminders thereon. Reply in this regard is still awaited.

The transfer of entire collections under Universal Access Levy (UAL) to the USO Fund does not happen automatically. Instead, credit to the USO Fund is the amount as received through Parliamentary approvals as per the provisions of the Indian Telegraph (Amendment) Act, 2003. Hence, the action of the Department of Telecommunications is in consonance with the extant provisions of the Indian Telegraph (Amendment) Act, 2003.

In view of the above facts, the action of the Department is in consonance with extant provision of the Indian Telegraph (Amendment) Act, 2003 and reference received from Ministry of Finance."

14. The detailed information of Proposed Outlay, Budget Estimates, Revised Estimate and Actual during 2015-16, 2016-17 and 2017-18 in reference to USOF is as under:-

(Rs. in crore)

Year	**2015-16**	**2016-17**	**2017-18**
Proposed	12600.00	7350.00	13938.00
BE	2400.00	2755.00	11636.18
RE	3100.00	7625.79	
Actual	3100.00	4850.45	
% w.r.t. RE	100%	84.28%*	

* 84.28% has been calculated based on the allotment of Rs. 5755 crore received for RE 2016-17 upto 11.01.2017 of Rs. 7625.79 crore (including Rs. 6000 crore for BharatNet) has been allocated but yet to be received.

15. The reasons for massive increase in the allocation made at RE stage during 2016-17 have been provided by the Department as under:-

"The Department proposed the RE 2016-17 of Rs. 9039 crore including Rs. 6462 crore for BharatNet, Rs. 1250 Crore for Subsidy Support for the operational sustainability of Rural Wireline Connections to BSNL, approved by Cabinet and Rs. 900 crore for Left Wing Extremism (LWE) for USOF schemes. Against the above said proposal, the amount of Rs. 5755 crore has been allotted at RE stage upto 11.01.2017 which includes Rs. 4616.83 crore for BharatNet exclusively. Out of Rs. 5755 Crore, the amount of Rs. 4850.45 Crore has been disbursed till 10.02.2017 under the various schemes of USOF. In supersession of earlier allotments the total amount of Rs. 7625.79 crore which has been allocated for the year 2016-17, includes Rs. 6000 crore for BharatNet, which is yet to be received and shall be disbursed/ utilized by 31st March 2017."

16. The Scheme-wise details of Proposed / BE/RE/ Actual under USOF during 2016-17 is as under:-

(Rs. in crore)

Sl. No.	Schemes/ Activities	Proposed	2016-17 (BE)	2016-17 (RE)	2016-17 (Actual) till date
1.	BharatNet/ NOFN	5000.00	1850.00	6000.00	4616.83
2.	LWE	900.00	300.00	325.10	185.12
3.	Subsidy Support for the operational sustainability of Rural Wireline Connections to BSNL	0.00	0.00	1250.00	0.00
4.	Comprehensive Telecom Development Plan for Islands	0.00	100.00	0.00	0.00
5.	Comprehensive Telecom Development Plan for NE Region	775.00	275.00	0.00	0.00
6.	2G Coverage in uncovered villages in Himalayan States & Western Border States	300.00	100.00	0.00	0.00
7.	Other Schemes	375.00	130.00	50.69	48.50
8.	Total	7350.00	2755.00	7625.79	4850.45

17. Explaining the reasons for increase in the expenditure made under USOF, Secretary, DoT, during the sitting of the Committee on 23 February, 2017 stated as under:

> "If we look at the important heads where we spend, the Universal Services Obligation Fund, the expenditure there and which is used for the BharatNet network and for the schemes in Left-wing extremist areas and North East as well as for islands, the 2016-17 expenditure is likely to be Rs. 7,626 crore up from Rs. 3,100 crore which is a two-and-a-half times jump in one year. The BharatNet expenditure, which is a part of this, will be Rs. 6,000 crore compared to Rs. 2,415 crore. The progress of the BharatNet, which is reflected in this additional expenditure, for the last three months we have been having an average of 400 kms. per day of duct compared to 40 kms.. There is ten time increase in pace. By 31st March, we will have the duct and cable in 100 thousand gram panchayats. We have also solved the problem of equipment and we are now getting equipment from three reputed companies in the country and soon we will have equipment for the BharatNet as well. The important point which I would like to bring to the notice of the hon.

Committee is this. Though there has been a delay of three years in the BharatNet, there has been a time overrun, there has been no cost overrun. We will complete the project in the allocation which was fixed for us in 2011-12. So that is because of good rates for fibre and for electronics that we have been able to get".

18. During 2017-18, an amount of Rs.11636.18 crore has been allocated at BE which is Rs.8,881.18 crore more than the allocation made at BE during the previous year**.** The scheme-wise details of proposed and BE under USOF during 2017-18 is as under:

(Rs. in crore)

Sl. No.	**Schemes/ Activities**	**Proposed**	**2017-18 (BE)**
1.	BharatNet (NOFN)	10402.51	10000.00
2.	Left Wing Extremism (LWE)	434.27	400.00
3.	Comprehensive Telecom Development Plan for Islands	714.63	251.00
4.	Comprehensive Telecom Development Plan for NE Region	2199.05	800.00
5.	Other Schemes	187.19	185.00
6.	Total	13937.65	11636.00
7.	Total Rounded off	**13938.00**	**11636.00**

19. Considering the difference between the amount proposed and allocation made at BE during 2017-18, the Committee desired to know the Schemes/activities that would be most affected. The Department have stated that the following schemes will be most affected in case of reduced allocation of funds for the year 2017-18:

Rs. in Crore

Sl. No.	**Schemes**	**2017-18 (proposed)**
A.	Comprehensive Telecom Development Plan for Islands	
i.	Provision of Submarine OFC connectivity between Mainland India (Chennai) and Andaman & Nicobar Islands	450.00
ii.	Satellite Bandwidth Augmentation between Mainland India and Andaman & Nicobar islands and Intra-Islands	50.00
iii.	Provision of 2G Mobile Coverage in Uncovered Villages and seamless 2G Mobile coverage of NH223 in Andaman & Nicobar Islands	50.00
iv.	Augmentation of Intra-Island OFC network and providing	30.00

	OFC in ring configuration for providing redundancy in Andaman & Nicobar Islands	
v.	Provision of Submarine OFC connectivity between Mainland India (Kochi) and Lakshadweep Islands	10.00
vi.	Satellite Bandwidth Augmentation between Mainland India and Lakshadweep Islands	16.53
vii.	Augmentation of 2G Mobile connectivity for improving the QoS in Lakshadweep islands	8.10
B.	Comprehensive Telecom Development Plan for NER	
i.	Mobile services in uncovered villages of Arunachal Pradesh and 2 districts of Assam. (by BSNL)	872.31
ii.	Mobile services in uncovered villages in rest of NER and seamless coverage along National Highway (by USOF)	1326.74
iii.	Augmentation of Transmission Media under CTDP for NER(OFC Augmentation between state capitals in NER and also between State Capitals and respective DHQs)	100.00

(ii) <u>BharatNet</u>

20. BharatNet' is the most important pillar of Digital India aimed to establish network infrastructure for Broadband Highways accessible on a non-discriminatory basis, to provide affordable broadband services to citizens and institutions in rural areas, in partnership with States and the private sector. The Union Cabinet accorded its approval on 25.10.2011 for "the creation of a National Optical Fiber network (NOFN) to connect all the Gram Panchayats (approx. 2,50,000) through Optical Fiber Cable (OFC) by providing at least 100 Mbps at each GP by utilizing Universal Services Obligation Fund (USOF).

21. The detailed information regarding Proposed Outlay, Budget Estimates, Revised Estimate and Actual during 2015-16,2016-17 and Proposed Outlay and Budget Estimates during 2017-18 is as under as under:-

(Rs. in crore)

Year	**2015-16**	**2016-17**	**2017-18**
Proposed	9334.71	5000.00	10402.51
BE	1254.97	1055.83	10000.00
RE	2415.10	6000.00	
Actuals	2415.10	4616.83	
% w.r.t. RE	100.00	76.94%	

22. The details of physical targets set at BE, RE and achievements of NOFN/ BharatNet during 2016-17 and BE for 2017-18 is as under:

NOFN/ BharatNet	**2016-17 (BE)**	**2016-17 (RE)**	**2016-17 (Actual)**	**2017-18 (BE)**
Financial	1055.83 (BE allotted of Rs. 2755)	6000.00	4616.83*	10000.00
Physical				
PLB Duct to be laid (Kms)	2,22,854	2,22,854	2,04,035	1,20,000
PLB Duct to be laid (GPs)	1,00,000	1,00,000	90,812	38,000
OFC to be laid (Kms)	2,22,854	2,22,854	1,73,484	2,40,000
OFC to be laid (GPs)	1,00,000	1,00,000	76,588	58,000
Number of GPs to be provided connectivity	1,00,000	1,00,000	16,466	70,000 (including 12,000 on radio)

(iii) <u>Revised Strategy</u>

23. The Department have informed the Committee that on 14.12.2016, Telecom Commission accorded approval for modified strategy of implementation. The strategy entails implementation in three phases:

Phase-I	1,00,000 GPs under implementation. Being executed by 3 CPSEs viz. BSNL, RailTel and PGCIL. Targeted to be completed by March 2017.
Phase-II	Balance GPs using optimal mix of underground/aerial OFC, radio and satellite media. To be implemented by involving CPSUs, State Governments, State PSUs and Private sector. Targeted to be completed by December 2018.
Phase-III	To upgrade the network to meet the future requirements and meet the infrastructure needs of Internet of Things and 5G era.

24. The Department have also informed the Committee that Telecom Commission has approved the revised strategy for phase-II of the project and Cabinet note is under

process for approval of Union Cabinet. Telecom Commission has approved the following as part of Phase-II:

- As per the revised strategy, out of 1,50,000 GP's to be covered in Phase II of the project, 70,000 GP's are planned on underground OFC, 48,000 on aerial OFC, 30,000 GP's on radio and 2,000 GP's on satellite media.
- CAPEX estimate of Rs. 18,792 Crore is proposed.
- Rs. 6046 Crore estimated for O & M of the network for three years.
- For replacement of approx. 50,000 Km of lossy fibre an amount of estimate of Rs. 2,016 Crore is proposed.
- Rs. 4,066 Crore estimated for last mile connectivity at 2,50,000 GPs .
- Telecom Commission appraised the modified implementation strategy of BharatNet in its meeting on 14.12.2016, and Cabinet note is under process for approval.
- Various States are doing survey for laying aerial cable on electric poles. Advance funding is being provided to interested States by USOF to conduct GIS mapping of electricity lines. 50% advance funding has been provided to the states of Madhya Pradesh, Chhattisgarh, Gujrat, Himachal Pradesh, West Bengal, Uttarakhand& Orissa. Proposals of Jharkhand, Bihar & Tamil Nadu have been approved.

As per the information furnished by the Department, Telecom Commission on 14.12.2016 has accorded approval to :

- Wi-Fi Hotspots will be set up at an estimate cost of Rs. 4,066 Crore in each GP with funding from USOF to provide citizen centric broadband services.
- Non-discriminatory access to BharatNet backhaul infrastructure will be provided to service providers including Multi-Service Operators, Local Cable Operators etc. for providing last mile connectivity and broadband services.
- DoT has taken other initiatives adhere for providing Broadband services in rural areas:-
  - (i) Setting up 25,000 public Wi-Fi hotspots at an estimate cost of Rs. 943 Crore at telephone exchanges of BSNL in rural areas.
  - (ii) Setting up CSC-SPV's (Common Service Centres) existing model of 'Wi-Fi Choupal' at 5,000 GPs at an estimate cost of Rs. 100 Crore as ICT enabled access points to be managed and operated by local entrepreneurs for delivery of various G2C(Government to Citizen) and Business to Citizen(B2C) Services.
  - (iii) Pilot Projects for last mile connectivity for providing Wi-Fi internet services to rural citizens:-
    - (a) Wi-Fi services at an estimate cost of Rs. 28 Crore at 200 railway stations in rural areas by RailTel.
    - (b) Wi-Fi hotspots at an estimate cost of Rs. 15 Crore at 200 GPs by BSNL.

(c) Wi-Fi hotspots at an estimate cost of 1.46 Crore at 50 GPs by IIT Bombay.

25. In view of the above the Department proposed the BE 2017-18 of Rs. 13938 crore included Rs. 10402.51 crore for BharatNet. Against the said proposal the amount of Rs. 11636.18 crore has been allocated at BE 2017-18 (including Rs. 10000 crore for BharatNet exclusively).

(iv) <u>Scheme for Mobile Communication Services in Left Wing Extremism (LWE) affected Areas</u>

26. On 20.08.2014, the Cabinet approved a project at implementation cost of Rs. 3567.58 crore (inclusive of all taxes except octroi and local taxes) consisting of CAPEX and OPEX for 5 years for 1836 sites, discovered by BSNL through tender process; and OPEX for existing 363 towers for providing mobile services at locations identified by Ministry of Home Affairs in areas affected by Left Wing Extremism. The ownership of the assets created under the project to be vested in Bharat Sanchar Nigam Limited (BSNL). The state-wise breakup of locations is as below:

S. No.	State	No. of Locations	Already Installed by BSNL
1.	Andhra Pradesh	54	1
2.	Bihar	184	0
3.	Chhattisgarh	497	351
4.	Jharkhand	782	0
5.	Maharashtra	60	3
6.	Madhya Pradesh	22	6
7.	Odisha	253	0
8.	Telangana	173	2
9.	Uttar Pradesh	78	0
10.	West Bengal	96	0
Total		**2,199**	**363**

27. 2186 sites are radiating as on 31.12.2016. This includes 1830 new sites and 356 existing sites made operational by BSNL. An amount of Rs.1398.67 crore has been disbursed to BSNL. During the year 2017-18, an amount of Rs. 434.27 crore towards operational expenses has been proposed in BE. Based on the experience of LWE Phase-I, Ministry of Home Affairs have asked for installations of 2726 mobile towers in LWE Phase-II.

(v) <u>Mobile services in uncovered villages</u>

28. A scheme to extend financial support from USO Fund for provisioning of mobile communication services in inhabited uncovered villages of the country not having mobile coverage is under consideration. The Telecom Commission accorded 'in-principle' approval for the scheme in its meeting held on 13.06.2014 and directed that Detailed Project Report (DPR) be prepared for the same. It is estimated that there are about 55,000 villages in the country that do not have mobile coverage.

29. On the plan for extending mobile coverage to these villages including Himalayan Region, Secretary, DoT stated as under:

> "We will get 8000-9000 done in Northeast. So, there will be about 40,000 villages left. Half of them, many of them, are in the hilly areas of the country. Our next priority would be the hill regions of western India for which we will make a project and seek approval. So, it is moving in a calibrated manner because of shortage of resources and implementation capacity".

(vi) <u>Internet and Broadband Services</u>

30. As on 30.09.2016, there were 175.18 Million Internet and 192.30 Million Broadband subscribers in the country. Details are as below:

	Segment		Category	Internet Subscribers in Million Sep-16
A.	Wired		Broadband	17.84
			Narrowband	3.42
			Total	21.26
B.	Wireless	Fixed Wireless (Wi-Fi, Wi-Max, Radio & VSAT)	Broadband	0.597
			Narrowband	0.027
			Total	0.624
		Mobile Wireless (Phone + Dongle)	Broadband	173.87
			Narrowband	171.73
			Total	345.60
Total Internet Subscribers			Broadband	192.30
			Narrowband	175.18
			Total	367.48

31. In terms of broadband coverage, the Committee asked the status of the country when compared with the global average. The Department have stated that broadband penetration in the country, as on November, 2016, is about 18 per 100 populations. As per state of broadband report of Broadband Commission state of internet report, 2016, India is at 132 position out of 196 countries in fixed broadband subscription and 156 position out of 195 countries in mobile broadband subscription per 100 subscribers.

32. Some of the reasons for slow broadband proliferation are affordability based on socio economic condition, lack of demand due to poor computer literacy in rural and remote areas, lack of availability of contents in local/regional languages, access gap due to non- availability of telecom infrastructure particularly optical fibre in the most part of the country, lack of investment by telecom service providers due to poor return on investment in rural and remote areas.

33. The Committee also specifically enquired about the average broadband speed in the country when compared with the global average. In this regard the Department have stated that as per Akamai's State of the Internet: Q3 2016 Report, the average

broadband speed of India in comparison to other countries including the developed one are given as below:-

Country	Average Broadband speed (Mbps)
Australia	9.6
China	5.7
Colombia	4.8
France	9.7
Germany	13.7
India	4.1 (2.5 in Q3,2015)
Japan	18.0
Malaysia	7.5
Russia	11.6
South Africa	6.0
South Korea	26.3
Sri Lanka	6.0
United Kingdom	14.9
USA	16.3
Venezuela	1.8

34. Department have cited lack of telecom infrastructure particularly optical fibre in many parts of the country and lack of purchasing power as reasons for low broadband speed. The tele-density has increased very rapidly in India because of extremely low rate of mobile charges. The average revenue per user for Global System for Mobile (GSM) communications subscriber is only about Rs. 120/- per month. As against this, broadband charges per month are approximately Rs. 500/- per month, which is still high as a proportion of per capita income of the People.

35. The Government are presently implementing BharatNet/National Optical Fibre Network (NOFN) to provide network infrastructure for broadband in rural and remote areas, National Optical Fibre Network (NOFN)/BharatNet project is under implementation to provide to connect all Gram Panchayats (GPs) in the country through Optical Fibre Cable (OFC), radio and satellite medium for providing broadband connectivity. It is planned to provide fibre connectivity to 1 lakh GPs by March, 2017

under Phase-I of the project and remaining 1.5 lakh GPs by December, 2018, through an optimal mix of underground OFC, aerial OFC, radio and satellite media, under Phase-II of the project. One Wi-Fi hotspot will also be provided at every Gram Panchayat to ensure access to broadband.As on 05.02.2017, OFC has been laid in 76,313 GPs with length of 1,72,875 km, and 16,431 GPs have been lit and provided connectivity under phase-I of the project.With the implementation of NOFN/BharatNet project, which is one of the pillars of Digital India, non-discriminatory access to all categories of service providers including internet service providers will be available at Gram Panchayats with no investment to lay the optical fibre infrastructure. It is expected that it will promote internet and broadband usage in rural and remote areas at affordable rates.

36. Broadband in the country also provided by wireless means through 3G, 4G, Wi-max etc. Spectrums are being provided for wireless services which includes broadband services in the country. Broadband through Wi-fi medium is also being used by setting up of hotspots in campuses, buildings, institutions, etc. Spectrum in different bands has been made available and assigned in 800/900/1800/2100/2300/2500 MHz bands in accordance with the National Frequency Allocation Plan (NFAP). A total of 1893.75 MHz spectrum has been allotted to service providers through auctions held between 2012 to 2016 which will help in proliferation of broadband through various technologies like 3G, 4G, Wi-max etc.

(vii) <u>Cable TV network for providing broadband services</u>

37. It is estimated that there are about 100 million Cable TV subscribers in the country, out of which only 1.06 million receive broadband services through cable network. To incorporate enabling provisions in the current regulatory framework so that existing infrastructure including Cable TV networks are optimally utilized for extending high quality broadband services in rural areas also, an Inter-Ministerial Committee under the Chairmanship of Cabinet Secretary has been constituted to take a view on convergence of Cable TV network for providing broadband services.

(viii) Defence Spectrum: Optical Fibre Cable based Network for Defence Services

38. Network for spectrum is an alternate exclusive, dedicated OFC based communication network for Defence services for release of spectrum. Decision for rollout of OFC Network for Defence to facilitate release of spectrum by Defence Forces was taken by GoM on 7th Sep' 2007. Cabinet Committee of Infrastructure (CCI) conveyed financial approval of Rs 8098 crore on 03-12-2009.Cabinet Committee on Infrastructure (CCI) enhanced NFS Project Budget on 11-07-2012 to Rs 13,334 crore with a completion timeline of three years. In current Financial year there is provision of Rs. 3210.00 crore and complete expenditure had been made by 15 February, 2017. Till 31st March 2017, the Department have incurred a progressive expenditure of Rs.5530 crore. In the year 2017-18 the provision is for Rs. 3000 crore. The Project is expected to be completed by September, 2017.

39. The detailed information regarding Proposed Outlay, Budget Estimates, Revised Estimate and Actual during 2015-16,2016-17 and Proposed Outlay and Budget Estimates during 2017-18 is as under as under:

(Rs. In crore)

Proposed/BE/RE/ Actuals	2015-16	2016-17	2017-18
Proposed	8,230	6210	10,300
BE	2400	3210	3000
RE	2220	3210	-
Actual	2220	3210	-
% w.r.t. RE	100	100	-

* 'Figures for Actual expenditure during 2016-17 is up-to February, 2016.

40. Component wise details of Network for Spectrum (NFS) Project is provided as under:

S.No.	Name of Component	Estimated Cost (Rs. Crore)	Updated Status
1	Infrastructure Development	408	Total Sites – 333 Work Completed – 313 Work in progress – 17 (to be completed by April 2017).

			Yet to start – 3 • Dharamshala, • Pgali – Court case • TMG – sensitive zone to be started from April-2017
2	Optical Fiber Network for Backbone and Access of Army	4609 (Purchased order cost-8679)	Total- 57000 Km Ducting completed- 43672 Km Fibre Blown – 34662 Km OFC completed dated – September,2017
3	Optical Fibre Network for Navy Access	384 (Purchased order cost-556)	Total- 3000 Km PO has been placed in July, 2015 and expected to be completed by Sep'2017
4	DWDM Transport Netwotk	1300	APO issued in July 2016. PoC and TSEC is under progress. Work is expected to be over by Sep-2017.
5	IP MPLS Network for Army	2000	Financial Bids have been opened in Jan 2016. Evaluation and PNC completed. CET submitted report. Submitted to MC of BSNL Board for decision.
6	IP MPLS Network for Navy i/c DWDM	611	
7	GOFNMS for Army (GIS based OFC NMS)	1000	
8	Microwave Network	183 + 30 (IAF) Total: 213	Tender has been floated in March-2015.Financial Bids have been opened in Oct-2016. Evaluation under progress. Work is expected to be over by Sep-2017.
9	Satellite Overlay Network	133	Tender has been floated in March 2015.Financial Bids have been opened in Oct-2016.Evalation completed. Letter sent to DoT for enhancement of budget. Work is expected to be over by Sep-2017.
10	Encryption Devices	366	Tender has been floated in Dec 2014. Technical evaluation under progress. Lab model test evaluation completed. Report is under study. Financial bids are expected to be opened in FEB-MAR/2017.Work is expected to be over by Sep-2017
11	UNMS(Unified Network Management System)	1241	Army has submitted the final Specifications on 4/7/2016 with a request to re-check. Technical specification and cost estimation is under progress. Tender is expected to be floated in FEB-MAR/2017 and the work is expected to be over by Nov-2017.

41. The Committee have been informed that the shortfall in achieving the targets during 2016-17 were due to pending Court cases, tender finalisation in BSNL got delayed which have now been resolved. Pending Right of Way (RoW) permissions from various Central/State agencies and hindrances in regions like Jammu & Kashmir and North Eastern states also have delayed the progress of the project.

42. The details of the spectrum to be released by the Ministry of Defence out of Defence usage are as under:

(a) 10 MHz in (1920-1980 MHz) 3G Band and 5+5 MHz in 2G Band (1714-1734/1809-1829 MHz) on signing of MoU.
(b) 5MHz in (1920-1980 MHz) 3G Band on placing of supply order (and operationalization of the AF Network) and promulgation of the Defence band and Defence Interest Zone and waiving of spectrum charges for defence Forces.
(c) 5MHz in 3G band and 5+5 MHz in 2G Band on supply of equipment order.
(d) Balance 5MHz in 3G Band and 5+5 MHz in 2G Band on installation of equipment.
(e) Remaining 5+5 MHz in 2G Band on Acceptance of Testing & Commissioning of exclusive OFC Network.

43. When the Committee enquired about the major difficulties encountered in the implementation of the Project, the Department in a written note have stated that RoW permissions from State Governments, BRO, Forest Department, Wild life sanctuary, NHAI, PWD, railways, local Municipalities etc. and area like Jammu & Kashmir and northeast regions due to extreme weather conditions and hilly terrain are the major difficulties encountered.

44. With regard to the latest status of the implementation of the Scheme, BSNL has informed that the project will be completed by September, 2017. BSNL has also informed that Purchase Order (PO)/Advance purchase order (APOs) have been issued for three tenders out of which one tender Proof of concept (PoC)/Technical Specification Evaluation Certificate (TSEC) is under progress. Four tenders are already

finalised. One tender is under evaluation and likely to be finalised before end of March, 2017. One Tender is in the initial stage and likely to be floated.

(ix) Telecom Engineering Centre (TEC)

45. A statement showing the proposed outlay/BE/RE and Actuals for the year 2015-16 and 2016-17 and Proposed outlay/BE for the year 2017-18 is as below:-

(Rs. in crore)

Proposd/BE/RE/Actuals	**2015-16**	**2016-17**	**2017-18**
Proposed	39.42	58.49	17.95
BE	4.95	10	15
RE	1.50	4.24	
Actuals	0.01	0.13	
% w.r.t RE	0.67	3.07%	

46. Detailed Note on utilization of funds during the year 16-17 and the allocation for the year 2017-18 are provided as under:

(Rs. in crore)

S.No.	**Schemes/Activities**	**2016-17 BE**	**2016-17 RE**	**2016-17 Actual (till date)**	**2017-18 BE (Proposed)**
1	Setting Up of NGN (Transport) Lab	0.30	-	-	1.30
2	Setting Up of SAR Lab at TEC New Delhi/Mumbai	0.20	0.13	0.13	1.50
3	Procurement of EMF Measuring Instrument	4.00	2.40	-	3.50
4	Setting Up of Security Lab	4.00	1.00	-	4.50
5	Setting Up of CPE&TL Lab	0.50	0.20	-	2.00
6	Setting Up of Access Lab	0.30	-	-	0.50
7	Setting Up of Green Passport Lab (Phase-I)	0.20	0.30	-	0.40
8	Setting Up of Regional Test Labs at RTECs	0.20	0.16	-	4.00
9	Setting Up of Network Security & Forensic Lab at NTIPRIT	0.20	-	-	0.20
10	Setting Up of Telecom Knowledge Repository at NTIPRIT	0.10	0.05	-	0.05
	Total	**10.00**	**4.24**	**0.13**	**17.95**

47. On being asked about the reasons for the shortfalls in achieving the target during 2016-17, the Department in a written note have submitted under Procurement of EMF Measuring Instruments for TERM Cells of DoT and NE region, EMF Measuring Equipments are being procured for TERM Cells of DoT for carrying out the measurements of radiation levels from various BTS towers. Purchase order issued for 35 sets of EMF Measuring Instruments, all sets have been received by different TERM Cells. Payment is expected to be released by 31st March 2017.

48. Under Security Lab, tender was floated on 9.11.2015 and opened on 26.04.2016. Since no bids were received, Tender could not be processed. Subsequently, Pre Tender Conference was held, tender document was reviewed and tender re-floated in October 2016. Tender opened on 30.12.2016 and is presently under technical evaluation. Now as tender is under evaluation hence Rs 1 Crore demanded for the current financial year.

49. The status of implementation of various schemes under TEC are as under:-

Procurement of EMF Measuring Instruments for TERM Cells of DoT and NE region

In first phase, Purchase Order for 35 EMF Measuring Instruments has been issued out of which 27 nos. of Instruments have been received. Order for remaining 34 instruments is likely to be issued and payment for all 69 instruments is expected to be released in 2017-18. An amount of Rs. 2.50 Crore has been provided for the year 2017-18.

NGN Lab

The lab was installed during the year 2011-12. Validation of NGN lab is still pending. Remaining payment of Approx. 1 Crore has been provided. Case is under arbitration and expected to be finalized next year hence Rs 0.30 crore has been provided.

SAR Lab in Mumbai & Delhi

The case of SAR Lab, Delhi is under arbitration which is expected to be settled in 2017-18. Second SAR Lab is planned to be established in RTEC Mumbai. Project estimate is in the process of approval. An amount of Rs. 1.25 crore has

been provided for the year 2017-18 for pending payment of SAR Lab Delhi and for establishing SAR Lab, Mumbai.

Security Lab, New Delhi:

TEC is setting up Telecommunication Security Testing Lab, which can cater to the telecom industry's need for security testing of various networks elements and CPEs. Project Estimate for Rs.9.81 Crore is approved. Tender opened on 30.12.2016 and is under technical evaluation. An amount of Rs. 4.50 Crore has been requested for the year 2017-18 to make the requisite payments of equipments stage wise i.e. supply, installation, commissioning etc.

CPE&TL Lab, New Delhi

CPE&TL' is a new division in TEC established with the objective of setting up of a dedicated CPE and Terminals Lab in order to enable testing of CPEs like Telephone handsets including multiline, cordless, CLIP, KTS, Modems, Telephone attachments, POS terminals, SIP terminals, and CPEs having Bluetooth and Wi-Fi capabilities. These will be tested for conformity to various IRs and any instructions/licensing Conditions issued by DoT. Project estimate for Rs 6 Crore was approved. Tender was floated and opened on 16.09.2016 but no bidder participated. Re-tendering is in process and expected to be finalised in 2017-18. An amount of Rs. 2 Crore has been provided for the year 2017-18.

Green Passport Lab New Delhi

All telecom products, equipment and services in the telecom network should be energy and performance assessed and certified ''Green Pass port (GP)''utilizing the ECR rating and the energy passport. Tender document is under preparation and NIT is expected to be floated by this financial year (2016-17). Requirements of funds for setting up of the Lab is Rs 0.40 Crore. An amount of Rs. 40 Lacs has been requested for the year 2017-18.

Access (LTE) Lab

To equip TEC with testing facilities for LTE devices including handsets, USB Interface devices viz. Dongles, tablets and any other ' inbuilt LTE' device. Project estimate of Rs. 35.99 Crore is sanctioned. Tender document is under preparation. An amount of Rs. 50 Lacs has been requested for the year 2017-18 for infrastructure works.

Testing Lab at RTECs (NR, WR, ER & SR)

The works being carried out by all RTECs (Northern, Eastern, Southern, and Western) are mainly type approval, interface approval & infrastructure approval and renewal. RTECs need to have instruments suitable for the new generation equipments. Existing testing equipments have outlived their lives. RTECs presently are fully dependent on manufacturers/ traders for arranging instruments and facilities. Major vendors have instruments or arrange but small and medium vendors, who do not have the facilities of having their own testing arrangements, often encounter problem and testing of equipment suffers. The mandatory testing of telecom products is already approved in principle and will be implemented soon. Thereafter the testing and certification work will increase substantially. This will require purchase of testing instruments and establishing Labs in all RTECs. PE of the amount of Rs. 17.56 Crore is approved and Tender is under preparation. Tender is expected to be finalised in 2017-18. Hence, an amount of Rs. 3.30 Crore has been requested for the year 2017-18.

Network Security & Forensic Lab at NTIPRIT

NTIPRIT conducts training for the officers of DoT and other Ministries/Deptts. of Government. Ensuring Security of Telecom Networks has acquired great importance due to increasing Cyber-attacks. Therefore, there is a requirement to conduct training in telecom security and testing. For this purpose Cyber Security Lab is proposed to be set up in NTIPRIT. Estimate is under preparation. An amount of Rs. 20 Lac has been requested for the year 2017-18.

Setting up Knowledge Repository and Management Centre at NTIPRIT

NTP-2012 envisages setting up a Telecom Knowledge Repository. Estimate is under preparation. An amount of Rs. 5 Lacs has been requested for the year 2017-18.

50. The Department have informed the Committee that the Committee constituted to make recommendations regarding decision of the CoS that the revival of ITI may be funded from USOF has since submitted its report and was decided that procurement Quota Policy which hitherto was applicable in the procurement made by BSNL and MTNL would be made applicable in in case of procurements to be made by BBNL also.

CCEA, in the regard, in its meeting held on 01.06.2016 has approved extension of reservation quota policy for ITI for a period of two years in the procurements to be made by BSNL,MTNL and BBNL also.

V. Review of functioning of PSUs: BSNL, MTNL, ITI and TCIL

(i) Bharat Sanchar Nigam Limited (BSNL)

51. When the Committee enquired about the details of income and expenses of BSNL during the last three years, the Department have provided the information as under:

(Rs. in crore)

Year	Total Income	Total Expenditure	Balance
2014-15	28,645	37,292	-8647
2015-16	32,919	36,743	-3824
2016-17 (upto December, 2016)	20,291	25,145	-4854

52. The Department have informed the Committee that the main sources of revenue of BSNL are from Revenue from Operations and Other Income. The items of expenditure of BSNL are Employees Remuneration & benefits, License Fee & spectrum charges, Depreciation, Administrative, operating & other expenses, and Financial expenses.

53. The Committee also asked about the challenges faced to increase Revenue earning. The Department have stated that BSNL is facing the following challenges to increase revenue earning, such as high competitive intensity. Average no. of operators per circle is 8 and this results in decrease of revenues per line due to competitive pressures, fixed-line service may further decline with potentially negative growth of fixed Wireline Broadband, extensive use of VoIP (Voice over Internet Protocol)/ Internet Telephony as a substitute of voice services, Pan India roll out of 4G services by leading telecom operators in 2016 could impact growth of BSNL's broadband business, etc. It is also stated that BSNL is providing telecom services in remote and hilly areas in various states e.g. Himachal Pradesh, Uttarakhand, Jammu & Kashmir, North East, Chhattisgarh, Andaman & Nicobar Islands and Lakshadweep Islands through satellite and Point to Point Radio Links which are huge capital intensive & incur huge operational expenditure. Damage to Underground (UG) / Optical Fiber (OF) cable by various

infrastructure agencies / utility service agencies, viz. PWD, NHAI, Water bodies during road expansion / widening activities and Fixed to mobile substitution have also been cited as challenges to increase revenue earning.

54. As per the draft MoU 2017-18, the projected Revenue is Rs. 27,250 crore. As per Annual Plan Proposal 2017-18, the anticipated expenditure is Rs.33,000 crore. BSNL has planned the following projects/initiatives including ongoing projects for achieving targeted revenue during 2017-18, such as Augmentation of Global System for Mobile communications (GSM) capacity, Replacement of BSNL's wireline exchanges by Next Generation Network (NGN) Exchanges, Expansion of Optical Fibre Cable (OFC) network and Strengthening of transmission core network by setting up of BSNL – ECR CONE (Enhanced capacity & resilience of core network).

55. BSNL has initiated various customer centric initiatives, such as unlimited free night calling from land line to any Network between 2100 Hrs to 0700 Hrs in India by BSNL to its landline customers, Minimum 512 Kbps broadband speed upgraded to 2 Mbps, BSNL Landline at Rs. 49 Per Month with Unlimited Free Calling facility to any network with One BSNL Free SIM Card of prepaid services, Introduced unlimited free calling during day and night on all Sundays on PAN India.

56. With the introduction of R-Jio free voice & data till 31/03/2017 & thereafter proposed Rs.100 charging only for data, keeping free voice on 4G VoIP network has disrupted the already highly leveraged telecom industry to a greater extent. This further made other operators to offer matching tariffs to their subscribers so as to retain them in their fold. The present cut-throat competition will lead to high operation cost, low EBIDTA & low revenues. For, warding it off, CPSE is taking all pro-active measures within its powers to meet challenges ahead.

57. Elaborating the achievements made by BSNL, Secretary,DoT stated as under:

"BSNL has shown growth in its consumers. Their losses have gone down. They are starting to make investment which is showing up in the services as well as

in the top line revenue. They have put in 22,000 BTSs as part of their current expansion programme. Next year, they will start a programme which in the next two years will put in about 43,000 BTSs. This increase will be about 50 per cent of the total BTSs that they have".

58. Secretary, DoT also stated as under:-

"BSNL network of 2G and 3G is not meeting call drop standards only in West Bengal".

59. The physical targets & achievements for the year 2016-17 (RE) are as follows:

S. No.	Item	Unit of measurement	Target (2016-17)	Achievement up to 31.12.2016
1	GSM Mobile connections	In lakhs	40	39.36
2	Net addition in Broadband connections (wireline + wireless)	In lakhs	12	-0.45
3	Migration of legacy wireline network to Next Generation Network (NGN)	In lakhs	16	6.44
4	Net addition in landline over previous year	In %age	1	-7

60. As per the draft MoU 2017-18, the physical targets for the year 2017-18 (BE) are as follows:-

S. No.	Item	Unit of measurement	Target (2017-18)*
1	GSM Mobile connections	In lakhs	30
2	Net addition in WiFi Hotspots	In Nos.	25,000
3	Addition in OFC	RKMs	7200
4	Replacement wireline Exchanges by NGN (Next Generation Network) Exchanges	In lakhs	15
5	Net addition in leasing out towers sites to other operators	In Nos.	1711

(ii) Mahanagar Telephone Nigam Limited (MTNL)

61. The details of revenue and working expenses of MTNL are as follows:

(Rs. in crore)

Year	Total Income	Total Expenditure	Balance
2014-15	**3821.06**	**6723.48**	**-2902.42**
2015-16	**3512.71**	**6351.19**	**-2838.48**
2016-17 (upto Sept'16)	**1752.91**	**3239.25**	**-1486.34**

62. The Department have informed the Committee that the year 2009-10 was the turning point for MTNL, when company's financial health was adversely affected due to payment of around Rs 11,097.97 crore for acquiring 3G and BWA spectrums and for bearing additional financial burden of Pay revision (on account of implementation of Pay commission Report). These expenditures not only wiped out company's reserve of around Rs. 5000 Cr but also forced the Company to take short term loans of about Rs 7,533.97 Cr. Company incurred losses for the first time in 2009-10 and have been continuously in red since then because of mounting debt.

63. The current financial liabilities of MTNL (as on 30.12.16) are as follows:

(Rs in crore)

Long Term Loans	1895.00
Bonds / Debentures	2980.00*
Short Term Loans	2150.00
Short Term - Overdrafts	7784.94
Total Loans	14809.94

*excludes Rs 4533.97 Cr. where the liability of Interest and Principal is with Government of India (Refund of BWA Spectrum)

64. MTNL is under debt burden of around 14,809.94Crore (as on 31st December 2016) and is borrowing money to meet its day to day requirements and is unable to mobilize funds required for these projects. Further, the manpower cost of MTNL has to be brought in line with the present operators in the telecom sector of 5-6% of revenue by giving VRS to excess manpower with the Govt. support to revive MTNL.

65. The details of all the assistance given by the Government to MTNL are as follows:

- **Refund of surrendered BWA Spectrum charges-** On 09.01.14, Govt. decided to provide financial support of Rs.4,533.97 Cr equivalent to the upfront charges paid by MTNL for the surrendered BWA Spectrum. Govt agreed to discharge the total liability of bonds, including principal and interest. However, MTNL would utilize the proceeds to discharge its existing loan liability only. MTNL has already raised bonds with the sovereign guarantee during F.Y. 2013-14 and 2014-15 & the fund raised have been utilized for reduction of existing loan liability.

- **Settlement of Pension issue:** On 09.01.14, Govt decided to pay pensionary benefits w.e.f 01/10/2000 (on BSNL pattern) to Govt. employees absorbed in MTNL with option on combined service with the conditions that MTNL will pay pension contribution to the Government as per FR 116 as is applicable in the case of BSNL on equivalent BSNL pay scales, and pension Contribution payable by MTNL shall be adjusted against excess payment of pension made by MTNL. Currently Government is disbursing the pension directly. Employee cost reduced from 132% to around 83% of Income.

- **Surrender of CDMA spectrum in 800 MHz**: Govt. had withdrawn all the carriers of MTNL & sold in the auction held in March 2015 (except one carrier in Delhi) . Cabinet has approved Rs 458.04 Cr. as compensation to MTNL & asked MTNL to vacate the same. Accordingly, MTNL has vacated the spectrum in 800 MHz (Two carriers of 1.25 MHz each in Delhi and Mumbai) to the Government. A compensation of an amount of Rs 458.04 Cr. to MTNL has been received by MTNL.

- **Minimum Alternate Tax (MAT) refund:** Financial support of Rs 492.26 crore has been given to MTNL on account of liability arising from levy of minimum alternate tax (MAT).

66. The Committee have also been informed that considering the financial difficulties faced by the Company, MTNL is also seeking Government assistance on Govt. support for mobilization of funds to meet Capex requirement of its' projects for up-gradation/ expansion of networks, reduction in HR Cost through a targeted VRS scheme or Salary support on diminishing basis for the targeted Govt. recruited employees, monetization of surplus land and building by allowing MTNL to lease/ sell/ rent its available premises/ lands for their effective & gainful utilization, refund of Interest on BWA Payments, Extension of CMTS license along with waiver of one time spectrum charges till 10th January 2021 and, Govt. support for extension of administratively allotted

spectrum with license for further period of 20 years in 900 MHz & 1800 MHz band in a case neutral transactions after expiry of current spectrum allotment period.

67. The financial costs to the Government for extending support on these issues are as follows:

S.No.	Issues	Financial Cost
1.	Interest on BWA Spectrum	Rs. 2547 Cr (upto 31st Dec'16).
2.	Capex requirement of the projects for up-gradation / expansion of networks	Rs 2000 Cr. – Rs. 2500 Cr.
3.	VRS Scheme for 20% of employees (26559 employees to retire in next 10 years i.e. 5312 no. of employees in a first phase) Or Salary Support	VRS Cost - Rs. 1067 Cr. (Liability of DOT) Rs. 2591 Cr.

MTNL is continuously pursuing at various levels in DOT / Govt. on above mentioned pending issues on revival.

(iii) <u>Revival of BSNL and MTNL</u>

68. Explaining the legacy problem of BSNL and MTNL, Secretary, DoT during the sitting of the Committee had stated as under:

> "Government employees who were part of the Department of Telecom Services and Department of Telecom Operations till 2000 have been lock, stock and barrel transferred to these companies along with their liabilities of pays. Sir, 3 lakh employees, who mostly were who used to repair landlines and carry *Sidis* for those who were repairing landlines, without any skills, involving a Rs.1000 crore per month wage bills were transferred to them. They are useless because now the technology is all the provisioning and maintenance is done through remote access wirelessly often from international locations".

69. On the measures being taken to revive BSNL and MTNL, he further elaborated as under:

> "We had submitted a proposal for VRS which unfortunately because of the financial constraints of the Government it did not get approved by the Cabinet. That was only to advance the liability and reduce some of the employees so that they have some money left over for maintenance and investment and other things. We are working on a plan – I would not say that we have a plan

of integrating these two companies in phases. The experience of Air India and Indian Airlines, which you have pointed out, is something before us which is not a happy experience but we realized that there would be some synergy in merger. We may have to do it in stages and we are working to develop a plan. I would want to take it to Cabinet before the end of June and as you have directed, as soon as it is ready we will share it to this Committee".

70. On the issue merger and consolidation of big companies telecom market, Secretary, DoT stated as under:

"You are aware about the way the consolidation in this sector is happening. There is talk of two major players – merger of Idea and Vodafone. They have officially told us that they are in conversation with each other. There is a merger happening in RCom, Sistema, Aircel which will be one entity and Telenor is working with Airtel. Ultimately, there would be one Airtel, one Vodafone-Idea and one RCom plus three other companies, and one RGO. The fifth player would be BSNL-MTNL. So, there is a place for the fifth player. As per the competition index for telecom in India, competition increases till there are five players and after that it levels off. So, we should have five players, especially because many of them have a tendency and possibility of cartelization. So, that way a pan India Government operator is necessary".

71. On extending help to BSNL and MTNL, Secretary, DoT stated as under:

"We will try to develop a proposal for seeking specific help of Government of India, BSNL as far as possible through the USO head and MTNL because it does not come under the category from the budgetary resources of the Government of India. If they can merge, I believe that they have the potential and promise of becoming a strong telecom entity which will be useful for the consumer ultimately".

(iv) <u>Indian Telephone Industries (ITI) Limited</u>

72. The details of Revenue and working expenses of ITI Limited are as follows:

(Rs. in crore)

Year	Total Income	Total Expenditure	Balance
2014-15	659.25	956.38	(-) 297.13
2015-16	1,787.42	1,536.23	251.19
2016-17 (Upto 31.12.2016)	1,180.94	1,044.76	136.18

Note: Government Grant of Rs 494.02 Cr is included in FY 2015-16 total income and Rs. 339 cr is included in 2016-17 total income.

73. To achieve the target during 2017-18, the Department have stated that ITI has chosen to focus on NFS, SMPS, Encryption products, Primary Mux Subracks, WiFi, CCU, HDPE PIPE, GPON (OLT)-CDOT, GPON (ONT)-CDOT and AN RAX Cards projects to achieve the targeted turnover of Rs. 2700 Crore during 2017-18. Besides these projects ITI is also actively pursuing with its various clients to receive orders for ASCON PHASE IV, C - DOT GPON, Multi Channel (MC) Encryption Unit, MLLN / SSTP, HDPE PIPE, OFC, VVPAT and IoT. The Company has upgraded its infrastructure for projects like GPON, HDPE, MC Encryption and is in the process of upgrading / expanding the infrastructure for capacity enhancements. ITI is also actively pursuing the various emerging opportunities for these products and participating in the Tenders for the same.

74. The Cabinet Committee on Economic Affairs (CCEA) had approved a revival package of Rs. 4156.79 crore to ITI in February 2014 consisting of Rs. 2264 crore as equity for capital investments and Rs. 1892.79 crore as grant-in-aid to clear part of the liabilities of the company. Out of approved amount of Rs 2264 crore for Capex, for RE 2014-15, Government had released Rs 192 crore under plan head during February 2015 as first phase disbursement to the company. For the year 2015-16, there is no allocation under plan head. For BE 2016-17, Government had made a plan allocation of Rs. 80 crore. Out of Rs. 1892.79 crore approved as grant-in-aid under revival plan, Government has released Rs. 165 crore for the year 2014-15, Rs. 494.02 crore for the year 2015-16 and Rs. 500 crore for BE 2016-17 totaling to Rs. 1159.02 crore, towards 1997 wage revision arrears, establishment cost and for payment of statutory dues to the employees of the company.

75. During 2016-17, an amount of Rs.80 crore was given as budget support to Indian Telephone Industries at BE and RE stage. When the Committee enquired about the details of the latest status of the utilization and physical achievements, the Department have stated that out of Rs. 80 crore of Plan allocation to ITI for BE/RE 2016-17, ITI, as on 31.01.2017 has made a commitment of Rs. 71.65 crore towards the various purchase orders placed for upgradation of infrastructure through Capex projects. The projects

under implementation with this capital investment are manufacturing of G-PON, BBWT and Low power BTS equipments with C-DOT technology, establishment of manufacturing lines for HDPE pipes, OFC cables and Li-Ion batteries at various manufacturing plants. The investments made at Raebareli plant for G-PON manufacture is enabling ITI to execute the order worth Rs. 206 crore received by BBNL. Further, ITI has received APO from BSNL for Rs. 130 crore for G-PON equipments. At Raebareli Plant investments have been made for manufacture of HDPE pipes and OFC cables which have huge demand from Bharatnet project of the Government as well as from private sector.

76. An amount of Rs.200 crore has been allocated at BE to ITI during 2017-18 as Budget Support as against the proposed amount of Rs.555 crore.

77. Explaining the reasons for proposing an amount of Rs.555 crore under plan head during 2017-18, the Department have stated that for RE 2016-17, ITI had requested for additional fund support of Rs. 661 crore and for BE 2017-18 an amount of Rs. 555 crore had been requested for implementation of various projects identified under revival plan. The main areas of investment are manufacturing of Pre-foam for optic fiber, sensors/modules/chipsets for IOT/Smart city projects, Smart card manufacturing, establishment of ITI's own Data center, establishment of additional lines of manufacture for OFC cables etc. which have huge market potential both in Government sectors as well as in private sectors. However, Government has not allocated any additional amount under plan scheme for RE 2016-17 and has allocated only Rs. 200 crore for BE 2017-18 whereas ITI has already drawn plans for implementation of projects worth Rs. 555 crore.

78. Projects identified for implementation in BE 2017-18:

		(Rs in crore)
Sl. No.	**Project**	**Capex**
1	Data Centre	100
2	Ruggdised Mux	10
3	Ruggdised TESD	10

4	Routers & Switches	15
5	Mobile Handset Encryption	10
6	IP MUX	15
7	UHF/VHF/HF Radio	10
8	Microwave Mfg	15
9	Manufacturing of Pre- Foam for Optic Fibre	80
10	Optical Transport Product Mfg	20
11	Li-Ion Battery Mfg	15
12	NGN	10
13	SDR (Software Defined Radio)	60
14	Tablet PC Mfg	10
15	Sensor/Modules/Chipsets for IOT	130
16	Water/ Power SCADA	5
17	PCB upgradation at Bangalore and Palakkad Plants	25
18	Cable Harnessing	5
19	EMI /EMC Chamber	10
Total		555

79. When the Committee enquired about the status of implementation of ITI Revival Plan, the Department have stated that out of Rs. 2264 crore sanctioned by CCEA for capex under Revival plan, Government has so far released Rs. 272 crore only. ITI Ltd has already placed purchase order worth Rs. 275 crore and spent Rs. 175 crore as on 31.01.2017. By utilizing this amount ITI has modernized its manufacturing infrastructure at its plants and several projects identified under revival plan are under implementation. With the upgraded infrastructure in all its manufacturing units, ITI is poised to play an active role in Government's initiatives of Make in India, Digital India and Skill Development. ITI is now ready to take up manufacture of any electronic/ telecommunication equipment with suitable technological tie-ups. ITI is requesting for the release of balance amount sanctioned under revival plan to implement identified projects which have huge market potential like OFC cable manufacturing, Optic fiber manufacturing, Smart card, Defence telecommunication equipment like SDR, IOT/ Smart city requirements like sensors/modules/chipsets, expansion of HDPE pipe manufacturing, establishment of own Data Center etc.

80. To a query of the Committee on the assistance required from the Government, it is stated in written reply that further assistance of Rs. 693.98 Crore required from Government includes Rs. 300 Crore for Redemption of preferential share capital of BSNL/MTNL, Rs. 61.98 Cr. for Overdue statutory payments (Provident Fund Rs. 88 Crore, Gratuity Rs. 266 Crore, Excise Duty Rs. 6 Crore) up to 31-03-12, Rs. 77 Crore for Establishment cost during the implementation of revival plan, Rs. 125 cr. for Pending loan to ITI given during March 2009 for salary disbursement and Rs. 130 crore for Adjustment of payment towards disbursement of salary for 4 months paid in January 2013. Against these requirements an amount of Rs. 405 crore has been allocated in BE 2017-18.

81. The Committee have also been informed that assistance is also required by the Company from the Government towards payment of salaries & wages for 2017-18 amounting to Rs. 220 crore and statutory dues payment of Rs. 202 crore for the period 01.04.2012 onwards and working capital requirements of Rs. 500 crore. Further, the balance amount of Rs. 1992 crore (*i.e.* Rs. 2264 - 272 Cr) to be given to ITI Ltd towards Capex for speedy revival of ITI Ltd.

(v) <u>Telecommunications Consultant India Limited (TCIL)</u>

82. The details of Revenue and working expenses of TCIL are as follows:

(Rs. in crore)

Year	Total Income	Total Expenditure	Balance / PBT
2014-15	831.48	807.70	23.78
2015-16	1358.21	1315.84	42.37
2016-17 (Provisional upto Dec 16)	713.40	662.58	50.82

83. Main source of income are from Consultancy and Maintenance/Service Contracts & Turnkey Projects, whereas items of expenditure are purchase of material, Sub – contracts expenditure, employees benefit expense, etc. Change in Business Model from

Cash contract to BOT/Deferred payment projects, High dependence on OEM manufacturers- Lack of funding for Telecom projects by Multilateral Funding Agencies and Challenges faced to increase Revenue earning are cited as Challenges faced to increase Revenue earning.

84. For the year 2017-18, an amount of Rs. 1599.13 crore has been fixed as Projected Revenue and Rs. 1551.51 crore as projected expenditure. To achieve the revenue targets, TCIL is taking measures, such as aggressive Bidding in India and abroad, trying to enter in New Markets and increase in volume with low margin.

85. When asked about the assistances required from the Government, it is stated in written reply that DOT shall endeavour to assist TCIL, being 100% Government-owned Company, in the following:

1) To arrange approvals for formation of Joint Ventures / Subsidiaries abroad falling outside TCIL's delegated powers in a time-bound manner.
2) To facilitate provision of officers on continuous basis from DOT/BSNL/MTNL/other Ministries on deputation to TCIL for execution of projects.
3) To facilitate award of work in field of Telecom and IT from DOT / MEITY/ MEA/ BSNL / BBNL/MTNL on Nomination basis.

Part-II

Observations/Recommendations

DoT Budget

1. The Department of Telecommunications (DoT) have laid the Detailed Demand No. 14 for the Financial Year 2017-18 on 8th February, 2017 for a total amount of Rs. 38,578.65 crore including Rs. 35,192.65 crore under Revenue and Rs. 3,386.00 crore under Capital. The Committee note that the Government have done away with the plan and non –plan classification of expenditure with a holistic view of allocation for sectors and Ministries and to facilitate optimal allocation of resources from 2017-18. Instead of Plan and Non-Plan, the allocation of funds has been made under Revenue and Capital expenditure from the current Financial year. From the information provided by the Department, the Committee note that during the year 2015-16, the gross expenditure of the Department under Revenue Section was Rs. 21,263.01 crore and Rs.2,321.81 crore under Capital Section. An analysis of the financial performance during 2016-17 indicates that an amount of Rs. 18,355.96 crore was allocated at BE under Revenue Section which was increased to Rs. 28,598.33 crore at RE stage because of increase in allocation under USOF from Rs. 2755 crore at BE to Rs.7,625.79 crore at RE which included Rs. 6000 crore specifically for BharatNet. For OFC Based Network for Defence Service, allocation increased from Rs. 2710 crore to Rs. 3210 crore. Under C-DOT, the allocation increased from Rs. 220 crore at BE to Rs.315 crore at RE. The gross Revenue expenditure of the Department till January, 2017 was Rs.18,708.55 crore. The Committee also note that during the year 2016-17, an amount of Rs.2858.70 crore has been allocated at BE under Capital Section which was increased to Rs.3345.54 crore at RE stage mainly due to additional allotment of Rs. 500 crore under OFC based Network for Defence Services. Out of this, the Department have incurred an expenditure of Rs. 2134.43 crore till 31st January, 2017. For the year 2017-18, an amount of Rs.35,192.65 crore has been allocated at BE under Revenue Section which is Rs.16,836.69 crore more than the BE allocation during the previous year. The massive increase in the allocation are stated to be mainly due to

the reasons, such as increase in pension and DA consequent upon the implementation of VIIth Pay commission, increase in allocation of funds under USOF from Rs. 2755 crore in BE 2016-17 to Rs. 11636.18 crore in BE 2017-18 (Rs. 10000 crore has been allotted specifically for Bharat Net). Under C-DoT, BE 2016-17 was Rs. 220 cr. which is increased to RS. 270 cr. during 2017-18. The Committee also note that under Capital, Section, an amount of Rs.3386 crore has been allocated at BE during 2017-18 which is Rs.527.30 crore more than the allocation made at BE during the previous year. This is mainly because of increase in allocation from Rs.2710 crore in BE 2016-17 to Rs.3000 crore in BE 2017-18 under OFC, 200 crore under ITI from Rs.80 crore and Rs. 186 crore under DoT Projects from Rs. 68.70 crore. Keeping in view that there has been a massive increase in allocation made especially under Revenue, the Committee would like the Department to ensure prudent utilization of funds during the current financial year. Since Capital expenditure is incurred for acquiring long term assets such as equipment or building, the Committee recommend that effort should also be made by the Department to achieve greater utilization of funds under Capital section.

<u>Utilization of funds under Plan Schemes</u>

2. The Committee note that as per policy of the Ministry of Finance, Plan and Non Plan segments have been merged and no separate plan funds have been allocated under Revenue/Capital segments in BE 2017-18. During the year 2015-16, the Department had incurred an expenditure of Rs. 5787.24 crore for implementation of various schemes. During 2016-17, an amount of Rs.18214.32 crore was proposed by the Department for implementation for various Schemes, however, an amount of only Rs. 5865 crore was allocated at BE. This was increased to Rs. 11312.49 crore at RE mainly on account of increase in allocation made under USOF, Optical Fibre Cable based Network for Defence Services, Centre for Development of Telematics, etc. As on 15th February, 2017, the Department have incurred a total expenditure of Rs.8,388.53 crore for implementation of Schemes. This is Rs. 2601.29 crore more than the actual expenditure achieved by the Department during 2015-16. Some of the Schemes where proper utilization of funds have been noted are; Compensation to Service

Providers for creation and augmentation of Telecom Infrastructure-USOF, OFC based network for Defence Services, C-DoT, Construction of DoT building, TRAI, ITI, etc. From the information provided by the Department, the Committee have, however, also noted under utilization of funds under schemes like Wireless Planning and Coordination/Monitoring Service, Telecom Engineering Centre, National Institute of Communication and Finance, Establishment of Satellite Gateway Assistance to BSNL, etc. This Committee while appreciating the financial performance of the Department under some schemes in the year 2016-17 also like to stress that Department should make all efforts to utilize the entire amount in the remaining part of the fiscal year so that important schemes where underutilization of funds have been noted do not suffer. The Committee note that in the year 2017-18, against the proposed amount of Rs.25827.45 crore for various schemes, an amount of Rs.15,351.12 crore has been allocated at BE for the implementation of various schemes. This is Rs.9,486.12 crore more than the BE allocation of the previous year. The is mainly because of increase in allocation for schemes like Compensation to Service Providers for creation and augmentation of Telecom Infrastructure-USOF, Network for Spectrum (Defence Services), C-DoT, ITI, NICF, DoT Building, WMO, other DoT projects, etc. The Committee have been informed that the Department of Telecommunications are committed to optimal utilization of allocated funds under various schemes. The Committee also note that the Department have introduced some new important schemes during 2017-18, such as Telecom Computer Emergency Response Team, Central equipment Identity Register Promotion, viability gap funding to BSNL for providing telecom connectivity during Shri Amarnathji Yatra, etc. The Committee particularly note under five schemes, namely, network for spectrum, North East Region projects, Left Wing extremist area projects, submarine cable to Andaman and Nicobar Islands and ITI, the Department have to look for further allocations so as to make progress in implementing the schemes. Considering huge gap between the amount proposed and allocation made at BE, the Committee desire that the Department should continue with their efforts to get more allocation in the midst of

the financial year so that implementation of various schemes do not suffer due to want of funds. At the same time, the Department should ensure that funds allocated under Plan schemes are optimally utilized to achieve the envisaged physical targets.

Universal Service Obligation Fund

3. The Committee note that the resources for meeting the Universal Service Obligation (USO) are generated through a Universal Access Levy (UAL) which is a percentage of the revenue earned by the Operators under various licenses. The Universal Service levy presently is 5 percent of the Adjusted Gross Revenue (AGR) earned by all the Operators. During the financial years 2002-03 to 2016-17, Universal Service Levy (USL) amounting to Rs. 82,781.02 crore has been collected. The final allotment of Rs. 34933.92 crore, received through Parliamentary approvals was transferred to USO Fund in the respective years and the entire allocation so made and transferred to USO fund, was optimally utilized in the respective years. The balance of UAL amount available as potential fund under USO is Rs. 47,847.10 crore till date. On the issue of allocation of funds to USOF, Ministry of Finance have clearly stated that as per Clause 9B of Indian Telegraph Act, 2003 "the sums of money received towards the Universal Service Obligation under Section 4 shall first be credited to the Consolidated Fund of India, and the Central Government may, if Parliament by appropriation made by law in this behalf so provides, credit such proceeds to the Fund from time to time for being utilized exclusively for meeting the Universal Service Obligation. Accordingly, the Central Government may credit such proceeds to the Fund from time to time for being utilized exclusively for meeting the Universal Service Obligations. It does not say all such proceeds will be credited to the Fund. Further, keeping money locked in Public account may not be the most prudent way to utilize resources. In view of this, the Ministry of Finance is not committing any violation of legal provision." The Committee have been informed that the issue of entire proceeds under UAL not being credited to Universal Service Obligation Fund (USOF) has been repeatedly raised in the Report of the Comptroller and Auditor General of India on Accounts of the Union Government for the year 2009-10, 2010-11, 2011-12,

2012-13, 2013-14 and 2014-15 and was also raised in the Forty-ninth Report (15th Lok Sabha) of the PAC, but the status remains the same. The Committee note that Ministry of Finance through Budget Branch of DoT has again been requested to consider the above *i.e.* full amount collected as UAL can be credited to the USO Fund vide their office letter dated 22.12.2015 and reminders thereon. However, the reply in this regard is still awaited. The Committee are of the view that maintaining such a huge amount as balance of UAL under USO is defeating the very purpose for which the fund has been created. Considering that there is need for huge investment for expansion of telecom services in rural areas and the increasing emphasis given by the Government for taking e-governance to the masses, the Committee strongly recommend that the Department should pursue the matter with the Ministry of Finance at highest level to allocate full amount collected as UAL to the USO Fund. The Committee also recommend that the entire management of the USOF should also be transferred to the DoT, under the supervision of the Telecom Commission. The Committee would also like to know if there is any proposal in the Department to amend the relevant provisions of Indian Telegraph Act to ensure transfer of entire proceeds under UAL to USOF. The Committee would like to be apprised of the steps taken in this regard.

<u>Implementation of USOF Schemes</u>

4. The Committee note that during the year 2016-17, against the proposed amount of Rs.7350 crore, an amount of Rs. 2755 crore only had been allocated at BE under USOF. This was increased to Rs. 7625.79 crore at RE stage out of which the major allocation of Rs. 6000 crore was made for BharatNet. Out of this, an amount of Rs.4850.45 Crore (inclusive of Rs.4616.83 crore under BharatNet and Rs. 185.12 crore under LWE) has been disbursed till 10th February, 2017. The Committee note that while considerable progress have been made in laying of PLB duct and OFC, the achievement under 'Number of GPs to be provided connectivity' was only 16,466 GPs against the target of achieving connectivity to 1,00,000 GPs by March 2017. The Committee have also noted 'NiL' utilization of funds under schemes like Subsidy

Support for the operational sustainability of Rural Wireline Connections to BSNL, Comprehensive Telecom Development Plan for Islands, Comprehensive Telecom Development Plan for NE Region, and 2G Coverage in uncovered villages in Himalayan States & Western Border States. During 2017-18, against the proposed amount of Rs. 13,938 crore, an amount of Rs.11,636.18 crore has been allocated at BE. Even though it is Rs.8,881.18 crore more than the allocation made at BE during the previous year, the Department have clearly stated that various USOF schemes under Comprehensive Telecom Development Plan for Islands and Comprehensive Telecom Development Plan for NER, such as Provision of Submarine OFC connectivity between Mainland India (Chennai) and Andaman & Nicobar Islands, Provision of Submarine OFC connectivity between Mainland India (Kochi) and Lakshadweep Islands, Mobile services in uncovered villages in rest of NER and seamless coverage along National Highway, etc. would be affected. The Committee are glad to note that spending of the Department for flagship programme like BharatNet has made progress during 2016-17 and numerous issues relating to delay and procurement of material have been addressed by the Department. The Committee also note that Telecom Commission has approved the revised strategy for phase-II of the project and Cabinet note is under process for approval of Union Cabinet. As per the revised strategy, out of 1,50,000 GP's to be covered in Phase II of the project, 70,000 GP's are planned on underground OFC, 48,000 on aerial OFC, 30,000 GP's on radio and 2,000 GP's on satellite media. This is to be implemented by involving CPSUs, State Governments, State PSUs and Private sector with the target to complete by December, 2018. The Committee are of the view that BharatNet is the most important pillar of Digital India Programme aimed to establish network infrastructure for Broadband Highways accessible on a non-discriminatory basis, to provide affordable broadband services to citizens and institutions in rural areas in partnership with States and the private sector. The Committee, therefore, recommend that all out effort must be made by the Department so that Cabinet note which is under process for approval of Union Cabinet may be taken at the earliest so that Phase-II could be completed within the given

deadline, i.e, by December 2018 and no further extension is sought. The Committee also recommend that a representative from the BharatNet project (an official either of the implementing agencies of BSNL, PGCIL or RailTel) may be present in the District DISHA meetings, in order to ensure effective monitoring of the progress of the project. The Committee further recommend that necessary steps should be taken by the Department for the increased allocation of funds so that implementation of various schemes under Comprehensive Telecom Development Plan for Islands and Comprehensive Telecom Development Plan for NER are not affected and ensure that these works do not get delayed any more on account of shortage of funds or official laxity. The Committee would also like to stress the need for fixing and adhering to strict timeline for execution of these projects and apprised of the same.

<u>Setting up of towers in LWE affected areas</u>

5. Under LWE, the Committee note that out of the target of setting up towers in 2199 sites, 2186 sites are radiating as on 31.12.2016. This includes 1830 new sites and 356 existing sites made operational by BSNL. An amount of Rs.1398.67 crore has been disbursed to BSNL. During the year 2017-18, an amount of Rs. 434.27 crore towards operational expenses has been proposed in BE. Based on the experience of LWE Phase-I, Ministry of Home Affairs have asked for installations of 2726 mobile towers in LWE Phase-II. The Committee desire that all necessary steps may be taken by the Department so that LWE phase -II may be executed at the earliest and accord due priority to this project which is essential for inhabitants of these areas to connect them with the mainstream. The Department may keep the Committee apprised of all the progress made in this regard.

<u>Mobile services in uncovered villages.</u>

6. The Committee note that there are about 55,000 villages in the country that do not have mobile coverage. The Committee also note that a scheme to extend financial support from USO Fund for provisioning of mobile communication services in inhabited uncovered villages of the country not having mobile coverage is under

consideration. The Telecom Commission had accorded 'in-principle' approval for the scheme in its meeting held on 13.06.2014 and directed that Detailed Project Report (DPR) be prepared for the same. While 8000-9000 villages will be provided connectivity in Northeast initially, the remaining 40,000 villages would be the next priority for which the Department have to seek approval. It is due to shortage of resources and implementation capacity that it could not be taken up. Since the rural tele-density is languishing behind at 52.97 percent against the urban tele-density of 164.13 percent, the need for increasing telecom service in rural areas can hardly be overemphasized. In this regard, the Committee recommend that the Detailed Project Report (DPR) for providing mobile connectivity to all the 55,000 villages in the country be prepared and the project implemented without any further delay. The Committee also recommend that priority should be given to hilly and other inaccessible areas.

Internet and Broadband Services

7. The Department have informed the Committee that as on 30.09.2016, there were 175.18 million narrowband and 192.30 million broadband subscribers in the country. It is a matter of concern to note that broadband penetration in the country, as on November, 2016, is about 18 per 100 populations and India is at 132 position out of 196 countries in fixed broadband subscription and at 156 position out of 195 countries in mobile broadband subscription per 100 subscribers. Not only this, the Committee also note that average broadband speed in the country is very low when compared with other countries. The average broadband speed in India is 4.1 Mbps, whereas it is 5.7 Mbps in China, 6 Mbps in Srilanka, 9.7 Mbps in France, 13.7 Mbps in Germany,14.9 Mbps in United Kingdom, 16.3 Mbps in USA, 18 Mbps in Japan,26.3 Mbps in South Korea, etc. Some of the reasons for slow broadband proliferation are affordability based on socio economic condition, lack of demand due to poor computer literacy in rural and remote areas, lack of availability of contents in local/regional languages, access gap due to non- availability of telecom infrastructure particularly optical fibre in the most part of the country, lack of investment by telecom service providers due to poor return on investment in rural and remote areas. The

Committee also note that the tele-density has increased very rapidly in India because of extremely low rate of mobile charges. The average revenue per user for Global System for Mobile (GSM) communications subscriber is only about Rs. 120 per month. As against this, broadband charges per month are approximately Rs. 500 per month, which is still high as a proportion of per capita income of the people. The Committee further note that the Government are presently implementing schemes like BharatNet for providing broadband in rural and remote areas and broadband through Wi-Fi medium is also being used by setting up of hotspots in campuses, buildings, institutions, etc. It is also expected that spectrum allotted to service providers through auctions held between 2012 to 2016 which will help in proliferation of broadband through various technologies like 3G, 4G, Wi-max etc. The Committee are of the view that low proliferation of broadband and low broadband speed are acting as a great hindrance to achieving the goal of Digital India Programme of the Government of India. In view of this, the Committee feel that there is an urgent need to increase broadband proliferation and average broadband speed in the country. The Committee desire that the Department should fill the gaps in achieving the desired level of broadband penetration in the country and do all needful work for establishing core network to ensure the desired results. The Committee also recommend to undertake study to identify various initiatives taken by countries which had attained high broadband proliferation and speed for their implementation in the country.

The Committee also note that there are about 100 million Cable TV subscribers in the country, out of which only 1.06 million are receiving broadband services through Cable network. The Committee have also been informed that an Inter-Ministerial Committee has been constituted under the Chairmanship of Cabinet Secretary to take a view on convergence of Cable TV network for providing broadband services. Since Cable TV network can be utilized for extending high quality broadband service, the Committee recommend that the Inter-Ministerial Committee may be requested to submit their report at the earliest. The Committee would like to be

apprised of all the issues involved in providing broadband services through Cable TV and the progress made in this regard.

Defence Spectrum: Optical Fibre Cable based Network for Defence Services

8. The Committee note that Optical Fibre Cable based Network for Defence Services is an alternate exclusive, dedicated OFC based communication network for Defence services for release of spectrum and is being implemented at the cost of Rs.13,334 crore. Upto 31 March 2017, Department have incurred progressive expenditure of Rs.5530 crore. During the year 2016-17, against the proposed amount of Rs.8230 crore, an amount of Rs.2710 crore had been allocated at BE. This was increased to Rs.3210 crore at RE and complete expenditure had been made by 15th February,2017. The Committee have been informed that there has been shortfall in achieving the targets during 2016-17 due to delay in finalisation of tenders by BSNL because of pending Court cases and pending Right of Way (RoW) permissions from various Central/State agencies and hindrances in regions like Jammu & Kashmir and North Eastern states have also delayed the progress of the project. The Committee have been informed that issues relating to pending court cases have been resolved. From the information provided by the Department, the Committee note that BSNL have issued the Purchase Order/Advance Purchase Order for three tenders out of which one tender Proof of concept/Technical Specification Evaluation Certificate is under progress. Four tenders have already been finalised. One tender is under evaluation and likely to be finalised before end of March, 2017. One tender is in the initial stage and likely to be floated. The Committee also note that issues relating to RoW permissions from State Governments/Agencies and extreme weather conditions and hilly terrain in area like Jammu & Kashmir and Northeast regions are the major difficulties encountered in the implementation of the project. A matter of concern for the Committee is to note that during the year 2017-18, against an amount of Rs. 10,300 crore proposed by the Department for the implementation of the scheme, an amount of Rs. 3000 crore only has been allocated at BE. Since the project is expected to be completed by September, 2017, the Committee are of the view that an

allocation of only Rs. 3000 crore at BE will not be sufficient at all to achieve the target during 2017-18. Since the project has been considerably delayed and there has been cost overrun, the Committee recommend that all necessary measures must be taken so that various components of the schemes may be completed within the expected deadline. The Committee also recommend that the Department should also take up the matter with the Ministry of Finance for allocation of requisite funds.

Telecom Engineering Centre

9. The Committee note that TEC which is the Technical Wing of the Department is entrusted with responsibilities, such as formulation, testing and certification of telecom equipment, etc. The Committee have noted continuous under performance by TEC during the last two years. In 2015-16, an amount of Rs.4.95 crore was allocated at BE, which was reduced to Rs.1.50 crore at RE and the actual utilization made was only Rs.1 lakh. During 2016-17, against an amount of Rs 58.49 crore proposed by the Department, an amount of Rs.10 crore was allocated at BE. This was further reduced to Rs.4.24 crore at RE and the actual achievement made till February 2017 was Rs.0.13 crore only under 'Setting Up of SAR Lab at TEC New Delhi/Mumbai'. The Committee while examining the Demands for Grants of the Department during the previous year had pointed out non utilization of funds for implementation of various schemes/activities under TEC. The result is that Security Lab to cater to the telecom industry's need for security testing of various network element and equipment has still not been set up so far in the country. Even the Specific Absorption Rate (SAR) Lab set up in Delhi for verification of SAR values of mobile handsets and hand held devices has still not been made fully functional and the project estimate for setting up of second SAR lab at Mumbai is still in the process of approval. Apart from these, various other labs such as NGN lab, Green Passport lab, etc. are pending due to non finalization of tender document. It is only under procurement of EMF Measuring Instruments that Purchase order has been issued for 35 sets of EMF Measuring Instruments and payment is expected to be released by 31st March 2017. The

Committee also note that under Security Lab, since no bids were received for the initial tender floated on 9.11.2015, tender document was reviewed and tender re-floated in October 2016 and is presently under technical evaluation. The Committee note that during the year 2017-18, the Department have proposed an amount of Rs. 17.95 crore against which Rs.15 crore has been allocated at BE. The Committee take a serious view for the gross underutilization of earmarked funds by the Department and the delay occurred in the implementation of Schemes under TEC are beyond comprehensions as these are related to safety and security of the nations. The Committee, therefore, strongly recommend that there should be no further delay in the implementation during the current year and all necessary steps must be taken at the right earnest so that the allocation of funds made at BE could be efficiently utilized. The Committee would like to be informed of the progress made in the implementation of the schemes by TEC.

Review of functioning of PSUs: BSNL, MTNL, ITI and TCIL

Bharat Sanchar Nigam Limited (BSNL)

10. From the information provided by the Department, the Committee note that while revenue from Operations and Other Income are the main sources of revenue, BSNL is incurring expenditure under items such as Employees Remuneration and benefits, License Fee & spectrum charges, Depreciation, Administrative, operating and other expenses, and Financial expenses. During the year 2015-16, the total loss of BSNL which is the difference between total income and total expenditure was Rs.3824 crore. In the current financial year 2016-17, upto December, 2016, BSNL have received a total income of Rs.20,291 crore and incurred an expenditure of Rs.25,145 crore leaving a gap of Rs.4854 crore. Some of the challenges faced by BSNL to increase revenue earning are high competitive intensity in view of the presence of large number of operators per circle, average no. of operators per circle is 8, decline in fixed-line service with potentially negative growth of fixed wireline broadband, extensive use of VoIP (Voice over Internet Protocol)/Internet Telephony as a substitute of voice services, pan India roll out of 4G services by leading telecom

operators in 2016, providing telecom services in remote and hilly areas with huge capital intensive and operational expenditure, damage to underground optical fiber cable by various infrastructure agencies, fixed to mobile substitution, etc. The situation has been further compounded by introduction of R-Jio free voice on 4G VoIP network which has disrupted the already highly leveraged telecom industry to a greater extent. The present cut-throat competition will lead to high operation cost, low EBIDTA and low revenues. The Committee note that as per the draft MoU 2017-18, the projected Revenue is Rs. 27,250 crore and the anticipated expenditure is Rs.33,000 crore. To achieve the target, BSNL is taking numerous measures such as augmentation of Global System for Mobile communications (GSM) capacity, replacement of BSNL's wireline exchanges by Next Generation Network (NGN) Exchanges, expansion of Optical Fibre Cable (OFC) network and Strengthening of transmission core network by setting up of BSNL – ECR CONE (Enhanced capacity & resilience of core network). From the aforesaid observations, the Committee note that there are huge challenges before the company and the only way to survive in this era of cut-throat competition is by continuously undergoing various innovations and increasing the investment and upgrading the technologies. The Committee, therefore, hope that BSNL would pay adequate attention for making bigger investment for expansion of its infrastructure so as to increase its revenue earning potential. In this regard, all the existing non-functional towers of BSNL should also be made functional at the earliest and the report furnished to the Committee. The Committee recommend that BSNL should also take all necessary initiative in making a robust distribution strategy besides upgradation of technology and improving customer care services. Since BSNL is also operating in a highly competitive environment competing against the Private telecom companies to capture the market, it must also make efforts to introduce the best business practice adopted by the private operators if it is to have any role in telecom market in future.

11. The committee have been informed that BSNL has shown growth in its consumers and have started to make investments. As per current expansion programme, BSNL had installed 22,000 BTSs and in the next two year, BSNL are planning to install 43,000 BTSs. This increase will be about 50 per cent of the total BTSs installed. However, the performance of BSNL during 2016-17 indicates that there is negative achievements under the items like 'Net addition in Broadband connections (wireline+wireless)' and 'Net addition in landline over previous year'. In 2017-18, BSNL has set an ambitious target of achieving 30 lakh GSM Mobile connections, setting up of 25,000 WiFi Hotspots, replacement 15 lakh wireline Exchanges by NGN (Next Generation Network) Exchanges, and 1711 net addition in leasing out towers sites to other operators. The Committee also note that BSNL network of 2G and 3G is not meeting call drop standards in West Bengal. The Committee are aware that BSNL is operating in a highly competitive environment and therefore desire that adequate emphasize should be given for improving quality of services provided by the company. The Committee while emphasizing that BSNL should make serious effort to achieve all the targets set for 2017-18, necessary attention should be given to improve 2G and 3G services in all the circles including West Bengal where its 2G and 3G is not meeting call drop standards.

Mahanagar Telephone Nigam Limited (MTNL)

12. The Committee note that MTNL which was once the lifeline between Delhi and Mumbai is today languishing under heavy burden of debt and is borrowing money to meet its day to day requirements. As on 31st December 2016, the total financial liabilities of MTNL was 14,809.94 crore. A look at the financial performance of the company indicates that during 2015-16, the total income of the company was Rs.3512.71 crore and the total expenditure was Rs.6531.19 crore leaving a gap of Rs.2838.48 crore as total deficit. During 2016-17, upto September 2016, company had earned an amount of Rs.1752.91 crore and incurred expenditure of Rs.3239.25 crore and the total deficit was Rs.1486.34 crore. The projected revenue and expenditure of the company for the year 2017-18 is Rs.3200 crore and Rs.6499.54 crore respectively.

The Committee note that the deplorable financial position of MTNL was despite the various financial assistance given by the Government, such as refund of Rs. 4533.97 crore through bonds for surrendering Broadband Wireless Access spectrum held by MTNL in two service areas, taking over by the Government of pension liability of MTNL for its staff who got absorbed from DoT which has helped in reducing employee cost from 132% to around 83% of income, financial support of Rs. 492.26 crore on account of liability arising from levy of Minimum Alternate Tax (MAT).

Over and above the assistance given, MTNL needs Government assistance for mobilization of funds to meet capex requirement of its' projects for up-gradation/ expansion of networks, reduction HR Cost through a targeted VRS scheme or Salary support on diminishing basis for the targeted Govt. recruited employees, monetization of surplus land and building by allowing MTNL to lease/sell/rent its available premises/lands for their effective and gainful utilization, refund of Interest on BWA payments, extension of CMTS license along with waiver of one time spectrum charges till 10th January 2021, after expiry of current spectrum allotment period, and Govt. support for extension of administratively allotted spectrum with license for further period of 20 years in 900 MHz & 1800 MHz band in a case neutral transactions. The financial cost for implementing some of these proposals will be Rs. 2547 crore (upto 31st Dec'16) for interest on BWA Spectrum, Rs 2000 crore – Rs. 2500 crore for Capex requirement of the projects for up-gradation/expansion of networks, Rs. 1067 crore for (Liability of DOT) extending VRS Scheme for 20 percent of employees (26559 employees to retire in next 10 years i.e. 5312 no. of employees in a first phase) or Rs. 2591 crore as salary support. The Committee have been informed that MTNL is continuously pursuing at various levels in DoT/Govt. on these pending issues relating to its revival. The Committee are of the view that there is no easy solution in sight for revival of MTNL, but at the same time it will not be a prudent decision to let MTNL continue to function in this manner any longer. Under the given circumstances, it is very clear that without Govt. assistance, it will not be possible to revive MTNL. The Committee, therefore, recommend that the Department should take proactive

measures at the earliest and chalk out a proper strategy for revival of MTNL so that it can be brought back to its past glory.

Revival of BSNL and MTNL

13. During the examination of Demands for Grants (2014-15) of the Department of Telecommunications, the Committee had been clearly informed by the Department that the Government were in the process of revival and revitalization of BSNL and MTNL through various short-medium-and long-term measures. The Committee had recommended to the Department that these should be translated into action for the much needed revival and revitalization of BSNL and MTNL. As a part of this revival process, BSNL and MTNL have been given various assistances in the form of refund of surrendered BWA (Broadband Wireless Access) spectrum in two service areas held by MTNL and in 6 service areas held by BSNL, waiver of notional loan with BSNL, financial support given to MTNL on account of liability arising from levy of Minimum Alternate Tax (MAT), refund of CDMA spectrum charges to MTNL and BSNL, and taking over the pension liability of MTNL. One of the long-term measures contemplated by the Government included the merger of BSNL and MTNL, with the objective to position these PSUs to emerge as market leaders in telecommunication market. However, instead of revitalization of these two companies, what is seen today is that the two companies are dogged by various issues like poor quality of service, lack of investment, continuous losses, even to the extent of borrowing money for day to day operations in case of MTNL, huge employee cost, etc without any scope for revitalization. In spite of the numerous assistances given by the Government, these two companies are still unable to stand on its own feet and numerous assistances are still required by them. While Government have resource constraint, from the way the two companies have been burdened due to transfer of around 3 lakh Government employees who were part of the Department of Telecom Services and Department of Telecom Operations till 2000 to BSNL and MTNL along with liabilities of Rs.1000 crore per month wage bills, it is imperative that the Government extend support to them in this respect. As their skills have become obsolete with the introduction of new

technology as they were mainly employed for repairing landlines, the Committee are of the view that the Department may look into possibility of skilling these employees for gainful utilization of their services. If it is not possible, the best way is to extend VRS to those employees who can no longer be skilled, since extending VRS will help to advance the liability and reduce the employee cost. However, the proposal for VRS could not be approved by the Cabinet due to financial constraints. The Committee recommend that the Department should come out with a revised VRS proposal. On the plan for merger of BSNL and MTNL, the same would be taken to Cabinet before June. Due to fierce competition in the market, the Committee note that there are talks of consolidation and merger of telecom operators in the country. As per the competition index for telecom in India, competition increases till there are five players and it levels off after that. The Committee are unable to appreciate the reasons for continuous functioning of BSNL and MTNL under heavy losses and desire that the Department should prepare a final concrete action plan for the revival of the two companies and the proposals place before the competent authority for approval at the earliest. With regard to merger of BSNL and MTNL, the Committee recommend that the case of merger of Air India and Indian Airlines should be carefully examined while developing a merger plan and the same should be implemented only with the objective to make them strong. The Committee would like to be apprised of all the progress made in these regard.

<u>Indian Telephone Industries (ITI) Limited</u>

14. The Committee note that during 2014-15, ITI had incurred a loss of Rs.297.13 crore. During 2015-16, without an amount of Rs.494.02 crore which was given as Government Grant, the total loss of ITI was Rs.242.83 crore. The figure for 2016-17 shows that against the target of Rs. Rs 1800 crore, the total income of ITI till December 2016 was Rs. 1,180.94 crore which is inclusive of Rs.339 crore provided as Government grant. Without the Government grant, the total loss incurred by ITI as on 31 December 2016 was Rs.202.82 crore. The company has projected a turnover of Rs 2806.65 crore and expenditure of Rs. 2694.52 crore for the year 2017-18. To achieve the target

during 2017-18, the Department have stated that ITI has chosen to focus on NFS, SMPS, Encryption products, Primary Mux Subracks, WiFi, CCU, HDPE PIPE, GPON (OLT)-CDOT, GPON (ONT)-CDOT and AN RAX Cards projects. Besides these projects ITI is also actively pursuing with its various clients to receive orders for ASCON PHASE IV, C - DOT GPON, Multi Channel (MC) Encryption Unit, MLLN / SSTP, HDPE PIPE, OFC, VVPAT and IoT. The Company has also upgraded its infrastructure for projects like GPON, HDPE, MC Encryption and is in the process of upgrading/expanding the infrastructure for capacity enhancements. ITI is also actively pursuing the various emerging opportunities for these products and participating in the tenders for the same. The Committee hope that the Department/ITI will make sincere effort to achieve the revenue target during the year 2017-18. The Committee are also of the view that manufacturing of these products require highly skilled and trained manpower. The Committee, therefore, recommend that adequate attention must be given by ITI towards training of its employees so as to equip them with necessary skills and make them productive.

<u>Implementation of ITI Revival Plan</u>

15. The Committee had taken up the subject 'Revival of Indian Telephone Industries (ITI) Limited' for detailed examination and the Ninth Report on the subject was presented to the Parliament on 7th August, 2015. The Committee had noted that Cabinet Committee on Economic Affairs (CCEA) had approved a revival package of Rs. 4156.79 crore to ITI in February 2014 consisting of Rs. 2264 crore as equity for capital investments and Rs. 1892.79 crore as grant-in-aid to clear part of the liabilities of the company. The entire amount was to be disbursed by the year 2015-16 as per the disbursement schedule approved by CCEA. In the Ninth Report, the Committee had *inter alia* recommended for timely release of funds to facilitate execution of the Revival Plan, to bring back the company to profitability as early as possible with prudent investment in different manufacturing plants, expand customer base and address the business requirement of Private Sector as well, acquire state of the art technology, finalize the proposal for VRS, take business opportunities by actively

participating in Make in India, Smart City and Digital India projects of the Government of India, according of Defence status PSU to ITI, extension of reservation quota in Government procurement, etc. The Committee note that CCEA in its meeting held on 1st January, 2016 has approved extension of reservation quota policy for ITI for a period of two years in the procurements to be made by BSNL, MTNL and BBNL also. The Committee are however concerned to note that disbursement of fund especially under Capex is extremely low as only Rs. 272 crore has so far been released by the Government. Under grant-in-aid, an amount of Rs.1159.02 crore has been released so far towards 1997 wage revision arrears, establishment cost and for payment of statutory dues to the employees of the company. The Committee find it unfortunate to note that ITI which is India's first Public Sector Undertaking established with the vision on attaining self-reliance in the field of telecommunication needs of the country is today incurring heavy losses and is seeking Government support even for payment of salaries and wages. Not only this, the Committee note that huge amount of funds is also required by ITI to clear its other liabilities. The Committee feel that the best way to pull out ITI from all these liabilities is to bring it back to profit mode so that it can start bearing its own liabilities instead of relying only on the Government. However, the Committee note that there has been shortage in allocating fund to ITI especially under Capex. During 2016-17, ITI had requested for additional fund support of Rs. 661 crore at RE, however Government had not allocated any additional amount under plan scheme. In 2017-18, an amount of Rs 555 crore had been requested for implementation of various projects identified under revival plan which have huge market potential both in Government sectors as well as private sectors, however, only Rs 200 crore has been allocated at BE 2017-18. The Committee note that in Raebareli plant, investment has been made for manufacturing of HDPE pipeline and G-PON equipment which have huge demand for Bharatnet project of the Government as well as in Private sectors. Due to this ITI is able to execute order worth Rs.206 crore received from BBNL and APO has been received from BSNL for Rs. 130 crore for G-PON equipments. Considering that some of ITI products have huge demand in the market

and huge requirement of telecom and electronic equipment in the country, the Committee desire that requisite allocation of funds under Capex should be made to ITI so that it can upgrade the necessary infrastructure required for manufacturing these products and play market leader in supplying these products in the country. The Committee also recommend that urgent steps must be taken by the Department/ITI to ensure that necessary steps could be taken so that ITI can play an active role in Make in India, Digital India and Smart City projects of the Government of India as it is equipped with good manpower and infrastructure. The Committee recommend that ITI may additionally examine the feasibility of manufacturing Set-ToP Boxes (STBs) etc. in this regard. Since ITI also have requisite capability in manufacturing of defence encryption, the Committee desire that the Ministry of Defence may be approached for getting orders for defence encryption equipment by ITI which will also ensure security.

<u>Telecommunications Consultant India Limited (TCIL)</u>

16. The Committee note that main sources of income of TCIL are from consultancy and maintenance/Service contracts & turnkey projects, whereas items of expenditure are on purchase of material, sub – contracts expenditure, employees benefit expense, etc. Change in business model from cash contract to BOT/deferred payment projects, high dependence on OEM manufacturers, lack of funding for Telecom projects by multilateral funding agencies are cited as some of the challenges faced to increase revenue earning. During the year 2015-16, the total income of the company was Rs. 1358.21 crore and the total expenditure was Rs. 1315.84 crore. In the year 2016-17, the total income and expenditure of the company provisional upto December, 2016 were Rs. 713.40 crore and Rs. 662.58 crore respectively. For the year 2017-18, an amount of Rs. 1599.13 crore has been fixed as projected revenue and Rs. 1551.51 crore as projected expenditure. To achieve the revenue targets, TCIL is taking measures, such as aggressive bidding in India and abroad, trying to enter in New Markets and increase in volume with low margin. The Committee have also been informed that TCIL being 100 percent Government-owned company, assistances are required from the Government in getting approvals for formation of joint

ventures/subsidiaries abroad falling outside TCIL's delegated powers in a time-bound manner, facilitate provision of officers on continuous basis from DOT/BSNL/MTNL/other Ministries on deputation to TCIL for execution of projects and facilitate award of work in field of Telecom and IT from DoT/MeitY/MEA/BSNL /BBNL/MTNL on nomination basis. The Committee desire that adequate measures must be taken by the Department to ensure that TCIL continues to grow and earn profit in the coming years also. In this regard, the Committee recommend that the Department should look into the assistances required by TCIL and address the issues in timely manner.

ANURAG SINGH THAKUR
Chairperson
Standing Committee on
Information Technology

New Delhi
15 March, 2017
24 Phalguna, 1938 (Saka)

Appendix-I

MINUTES OF THE THIRTEENTH SITTING OF THE STANDING COMMITTEE ON INFORMATION TECHNOLOGY (2016-17) HELD ON 23rd FEBRUARY, 2017

The Committee sat on Thursday, the 23rd February, 2017 from 1100 hours to 1245 hours in Committee Room 'G-074, Ground Floor, Parliament Library Building, New Delhi.

PRESENT

Shri Anurag Singh Thakur - Chairperson

MEMBERS

Lok Sabha

2. Shri Lal Krishna Advani
3. Shri Prasun Banerjee
4. Dr. Sunil Baliram Gaikwad
5. Dr. Anupam Hazra
6. Shri Virender Kashyap
7. Shri Harinder Singh Khalsa

Rajya Sabha

8. Shri P.Bhattacharya
9. Smt. Kahkashan Perween
10. Dr. Vinay P. Sahasrabuddhe

SECRETARIAT

1.	Shri R.S. Kambo	-	Additional Secretary
2.	Dr. Preeti Srivastava	-	Joint Secretary
3.	Shri Y.M. Kandpal	-	Director
4.	Dr. Sagarika Dash	-	Additional Director
5.	Smt. Reena Gopalakrishnan	-	Deputy Secretary
6.	Shri Shangreiso Zimik	-	Under Secretary

LIST OF WITNESSES
DEPARTMENT OF TELECOMMUNICATIONS

Sl. No.	Name of Officer	Designation
1.	Shri J.S. Deepak	Secretary (T)
2.	Shri Prahlad Singh	Member (F)/Advisor (F)
3.	Shri R. K. Misra	Member (S)
4.	Shri G.K. Upadhyay	Member (T)
5.	Shri Sanjay Singh	Administrator (USOF
6.	Shri N. Sivasailam	Addl. Secretary
7.	Shri V.V. Singh	Wireless Advisor
8.	Shri Anupam Srivastava	CMD, BSNL
9.	Shri P.K. Purwar	CMD, MTNL
10.	Shri S.Gopu	CMD, ITI
11.	Shri A.K. Gupta	CMD, TCIL
12.	Shri Vipin Tyagi	Executive Director, C-DoT
13.	Shri Sudhir Gupta	Secretary, TRAI

2. After the welcome address by the Chairperson, the Secretary made a brief observation on the achievements and initiatives taken by the Department during 2016-17. Thereafter, the representatives of the Department of Telecommunications made a power-point presentation highlighting the functions and responsibilities of the Department, details of Revenue receipts during 2015-16, 2016-17 and Budget Estimates for 2017-18, Revenue expenditure(non-scheme) during 2016-17 and approved BE for 2017-18, utilization of funds for implementation of schemes during 2016-17, proposed and BE for 2017-18, financial performance and achievement made under flagship programmes like BharatNet and Network for spectrum for Defence Services, present

status and allocation made at BE 2017-18 for USOF schemes like Left Wing Extremism affected States, Comprehensive Development Plan for North East Region, Comprehensive Development Plan for Islands, balance of Universal Access Levy (UAL) as potential funds under USO as on 21.2.2017, performance of C-DOT, commitments towards revival of ITI, achievements made by BSNL, steps taken by MTNL to improve network and quality of services, recent policy initiatives, such as successful auction of 965 MHz of spectrum, discontinuation of wireless operating license for telecom services provider, notification of ROW rules, etc.

3. Members, then, sought clarifications on issues viz non-utilization of funds under schemes like Comprehensive Telecom Development plan for North East, Islands and Western Border States, audit observation raised by C&AG, issues relating to revival of BSNL and MTNL including their merger, VRS to employees, ITI revival plan, expansion of telecom coverage in hilly areas, status of disbursal of funds under USOF and balance available etc. which were responded to by the representatives of the Department. With regard to the points to which information was not readily available, the Chairperson desired the Department to submit written replies later on.

4. The Chairperson, then, thanked the representatives of the Department of Telecommunications for deposing before the Committee.

The witnesses then withdrew.

Verbatim Proceedings of the sitting have been kept on record.

The Committee, then, adjourned.

Appendix-II

MINUTES OF THE FIFTEENTH SITTING OF THE STANDING COMMITTEE ON INFORMATION TECHNOLOGY (2016-17) HELD ON 15th MARCH, 2017

The Committee sat on Wednesday, the 15th March, 2017 from 1500 hours to 1530 hours in Committee Room 'D', Ground Floor, Parliament House Annexe, New Delhi.

PRESENT

Shri Anurag Singh Thakur– Chairperson

MEMBERS

Lok Sabha

2. Dr. Sunil Baliram Gaikwad
3. Smt. Hema Malini
4. Shri Keshav Prasad Maurya
5. Dr. K. C. Patel
6. Dr. Bharatiben D. Shiyal
7. Shri Abhishek Singh
8. Shri D.K. Suresh

Rajya Sabha

9. Smt. Jaya Bachchan
10. Shri P. Bhattacharya
11. Shri Suresh Gopi
12. Shri Santiuse Kujur
13. Shri Derek O'Brien
14. Smt. Kahkashan Perween
15. Dr. K.V. P. Ramachandra Rao

Secretariat

1.	Shri R.S. Kambo	-	Additional Secretary
2.	Smt. Preeti Srivastava	-	Joint Secretary
3.	Shri Y.M. Kandpal	-	Director
4.	Dr. Sagarika Dash	-	Additional Director
5.	Smt. Reena Gopalakrishnan	-	Deputy Secretary
6.	Shri Shangreiso Zimik	-	Under Secretary

2. At the outset, the Chairperson welcomed the Members to the sitting of the Committee convened to consider and adopt the following Draft Reports on Demands for Grants (2017-18):

(i) Thirty-fifth Report on Demands for Grants (2017-18) Ministry of Communications (Department of Telecommunications);

(ii) ….xxxx….xxxx….xxxx....xxxx

(iii) ….xxxx…..xxxx….xxxx….xxxx

4. The Committee, thereafter, adopted the Thirty-fifth Report without any modification.

5. The Committee, then, authorized the Chairperson to finalize the draft Reports arising out of factual verification, if any, and present the Reports to the House during the current session of Parliament.

The Committee, then, adjourned

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xxxx Matters not related to the Report